THE Freeman

IDEAS ON LIBERTY

MARCH 1967

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THE FREEMAN

MARCH 1967

VOL. 17, NO. 3

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THE Freeman

MARCH 1967 Vol. 17, No. 3

LEONARD E. READ *President,* Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

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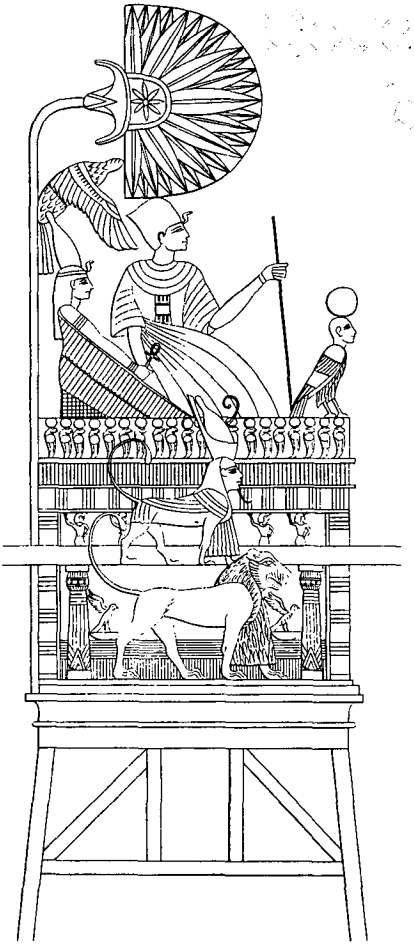

ROBERT K. NEWELL

Mr. Newell operates a farm near Marcellus, Michigan.

SINCE THE dawn of history men have willingly allowed themselves to be governed by an imposed authority in preference to accepting the responsibility for governing themselves. Consequently, history abounds with men contending for power to rule others, and all marching under banners of governmental reform and declarations that better governors ultimately produce more desirable social organizations. But, if there is one lesson to be learned from history, it is that, regardless of noble appearances and lofty claims of idealism, human limitations are such that no human being can safely be entrusted with authority to govern the lives and fortunes of others.

The basic philosophy of constitutional government above all else expresses public suspicion of the human frailties of those who govern. Constitutional philosophy has learned well from history that human beings invested with any political authority must have such authority precisely defined and constantly limited by counterbalancing forces. But, constitutional process erroneously presumes that majority consensus automatically

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provides an adequate counterbalance to restrict the political ambitions of potential autocrats and insure the civil liberties of societies so governed. Authoritarianism is quick to accept whatever governmental powers a free society is willing to abandon.

The United States outwardly has remained a stanch advocate of individual political responsibility. However, like so many historical predecessors, the citizenry inwardly has been overly and increasingly generous in bestowing gifts of centralized power and investing ever-strengthening authority in public office. The wisdom of such generosity is subject to debate in a society that has placed its faith in popular consensus. But, obviously, human freedom suffers when men abandon the personal responsibility of government and allow themselves to be governed by imposed authority.

It is argued by popular consensus that the complexities of modern society have so completely outgrown the individual's capacity to understand them that strong centralized government by skillful politicians is now needed to administer social justice and deal effectively with human problems. Proceeding logically from this premise, centralized government has experienced little difficulty in effecting periodic increases of already vast authority under pretense of necessity to cope with contrived emergencies. But, any systematic destruction of human freedom, no matter how quietly and peacefully it is accomplished, ultimately is no less tyrannical simply because the tyranny developed by degrees within the political framework of a society that under all circumstances has imagined itself to be free.

Gradual Encroachment

Evolutionary constitutional oligarchies apparently founded on sound principles of freedom are far more insidious than authoritarian governments that come to power by violence. For unlike violent usurpations, gradual processes of governmental growth allow the citizenry to retain a false sense of well-being stemming from the belief that they are actively participating in government through public elections and thereby exercising adequate restraint on governmental excesses. Ironically, it is the societies that most ardently extol personal freedom and are the most resilient adversaries of crude forms of political usurpation that are most easily deluded and subjugated by subtle concentrations of governmental power.

When an autocrat comes to power through usurpation, he es-

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tablishes a government and arbitrarily decides how much authority he will exercise. However, his governmental policies continue only as long as he retains absolute power of enforcement. Fortunately, political power implemented by force is seldom of long duration, for the tremendous counterbalancing force of human dignity insures that those subjugated will eventually depose the tyrant and with him all authority associated with his regime.

No such dramatic course is open to victims of constitutional tyranny for constitutional process takes no direct interest in the personalities involved in governmental authority. Rather, the constitutional system, and its periodic corruption, concentrates vast powers in political office and hopefully challenges the voting public to fill the authoritarian power structure with wisely chosen politicians. One candidate might declare his intention to use the vested authority of political office with somewhat more discretion than another.

This provides the voting public with motivation in the delusion that by supporting such a candidate they are casting a ballot for human freedom. But whatever the outcome of a given election, the constituted political power inherent to the contested office is in no way diminished by any temporary lack of use, and in due course, such authority not only is fully utilized but extended by more ambitious office seekers.

Despotism can never subjugate a people who responsibly undertake to govern themselves; and conversely, nothing can save a society from despotism if, in the name of self-government, the people willingly impose elective authoritarianism on themselves. When one considers the incredible extent to which the powers of elective and appointive public offices have grown, and are continuing to grow with the full consent of the American people, we are indeed fortunate that a more calamitous despotism has not yet engulfed the Republic.

A Degenerate Form of Freedom

Everyone is well aware of the size, scope, and increasing authority that political government has gained at the expense of individual liberty. Few seem overly concerned. Most prefer to trust the adage that better governors ultimately produce more desirable societies and logically assume that bigger government simply requires a more competent political oligarchy. The electorate has come to feel that individual responsibility begins and ends with voting for candidates that seem best

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qualified to utilize effectively the tremendous power that unwittingly has been concentrated in political office. The concept of personal freedom has degenerated to such a low ebb that liberty is now considered to be synonymous with superficial processes that attempt to place better men in an insatiably authoritarian government.

It would be a disheartening commentary on the social and moral progress of any nation to find a governmental structure that confiscated one-third of the national income; that diverted for political purposes one-fifth of the gross national product; and that directly, indirectly, or through conscription, provided employment for one-fourth of the citizenry. But it is doubly disheartening to find that a nation with its traditions firmly rooted in the responsibility of personal freedom, has deliberately installed such a government. Placing better men in that government might appear to be a worthy objective but free societies are completely dependent upon better government in men.

An Air of Respectability

Political freedom can exist only where men conscientiously accept the responsibility for governing themselves. When consensus no longer expresses a desire to retain the responsibility of solving human problems within the framework of free social intercourse, constitutional process simply lends an air of respectability to governmental tyranny. Political campaigns, by the very nature of the totalitarian offices the aspirants seek to fill, are resolved by transitory majorities skillfully gathered by demagogic promises to use the vested powers of political office to favor certain segments of a society at the expense of others.

If a man rules himself wisely, it is all that can be expected of him, for no man is morally capable of doing more. But if men are not morally qualified to govern others, neither are they morally released from the responsibility of governing themselves. The degeneration of moral government and subsequent increase of formal political government precisely measures the degree to which the self-reliance, self-respect, and human dignity of a society has eroded.

Rather than zealously searching for more capable politicians, those who seek liberty must instead undertake the prerogatives of self-sufficiency and the moral responsibilities of self-government. The functions of formal political government will then automatically be restricted and systematically reduced until at last government is confined within the moral capabilities of human limitation. ◈

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Men, Not Money, Will Overcome Poverty

WILLIAM HENRY CHAMBERLIN

IT IS A COMMON DELUSION that any problem, however deeply rooted in human psychological weaknesses and frailties, can be satisfactorily solved by a sufficiently large appropriation of public funds. This is especially true as regards the so-called war on poverty. Not content with the huge sums already appropriated or indicated by the lavish spending programs of the 89th Congress, some ardent crusaders in this field want to go much farther, regardless of the effects on the shrinking value of the dollar or the fortunes of the majority of Americans who work for a living.

A group of men identified with "civil rights" and "labor" causes, including a few clergymen and economists, headed by A. Philip Randolph, president of the Brotherhood of Sleeping Car Porters, recently came out with a proposal for the government to spend the modest sum of $185 billion for a drive to "end poverty in the next ten years," mostly by vastly increased contributions to existing items in the antipoverty program plus assuring a guaranteed annual wage, earned or not. This guaranteed annual income, on top of lavish welfare outlays, would remove the last serious incentive to work for the less skilled, while its cost would help to depress the standard of living of those who do work closer to the poverty level. Yet, the proposal also is favorably mentioned in a recent book by Walter W. Heller, chief of the Council of Economic Advisers in the Kennedy and Johnson administrations.

Another ex-chief of the Council of Economic Advisers, Mr. Leon Keyserling, went along heartily with the $185 billion spending budget. Somewhat in the spirit of the dentist who assures his patient that the next turn of the drill in his molars will not hurt,

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

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he confidently asserts that the outlay of $185 billion will not hurt anyone because it will come out of the natural growth of national income. This is the spirit of Dickens' character, Micawber, applied to finance. But, suppose the national income turns down instead of up; this has been known to happen.

A columnist who is noted for his freehanded attitude toward spending public funds, either for wars and expensive defense projects or for huge schemes of urban rehabilitation, warns that our cities are headed for a hopeless future unless tens of billions are somehow mobilized to rehabilitate them. The view is often expressed that the poor are being shortchanged by the war in Vietnam, not because they are contributing much to its cost, but because they are missing the bigger handouts that would otherwise come their way. This is used as an argument for higher individual and corporate taxes, though such taxes would automatically dry up much of the consumer and investment spending which, together, are largely responsible for maintaining present jobs and creating new ones.

Before this hasty assumption that big government is both able and obligated to abolish poverty by writing more and bigger checks becomes firmly embedded in the national consciousness, some lessons of experience about poverty, its causes and cures, should be considered.

The Relativity of Poverty

First of all, the word poverty is relative. What is considered poverty in the United States would be almost unimagined wealth to a large part of the population in Africa, Asia, and Latin America. One doesn't find cars or television sets in the city slums of peasant villages of India, Nigeria, or Brazil; but cars and TV sets are by no means unusual possessions of welfare recipients in the United States. Pure water, electricity, and other public services are taken for granted in North America and Western Europe; not so, however, in culturally and economically retarded areas of the world.

Second, economic progress, even economic movement, has always been associated with economic systems employing material incentives, such as differential pay for work of higher skill and responsibility. The nineteenth century European explorers who penetrated the interior of Africa found societies of almost incredible backwardness, unfamiliar even with such a simple device as the wheel, societies which had stagnated for centuries. Without condoning any

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sins of Western and Arab newcomers, especially in connection with the slave trade and some cases of gross exploitation of native labor, it may fairly be said that every step of African progress, in economic development, in education, in the building of a system of communications, was due to contact with the dynamic Western methods of civilization.

Even in communist-ruled states, the utopian ideal of paying everyone equally and sharing the products of general labor equally has long been discarded as hopelessly unworkable. Wage and salary scales and perquisites of office are at least as rigidly graded, on an ascending and descending scale, in communist as in noncommunist states. The difference is that the industrial noncommunist states produce a much larger and more varied output of quality goods for everyday consumption, and are far ahead in agricultural productivity. Communists have tried in recent years to maintain inequalities in reward, and to mix some elements of the market system with their planned economies, but their efforts have been fumbling and ineffective. Rigid centralized overall planning, and the free market with its swift adjustment to changing consumer tastes and preferences, are like oil and water. They do not mix.

Now, if payment is unequal, some people obviously will be better off than others. Modern industrial society has been described as affluent; and in many ways it is. Invention, technology, management organization along streamlined efficiency lines, the use of computers and other up-to-date equipment, automation – all these and other modern developments, when free to function, make it possible to produce more goods for more people than the industrial system could turn out at any time in the past.

But no society, not even America's, is sufficiently affluent to provide for everyone the best of everything. There are, and probably always will be, a few extremely costly luxuries, yachts, mansions, jewelry valued in thousands of dollars, which are only within the reach of an economic top layer of the very rich. A large and enlarging middle class, in the economic sense of the term, a group that includes increasing numbers of manual workers, has access to a wide variety of minor luxuries and solid comforts.

Variability Among Individuals

Under any workable system of differential incentives there will always be a bottom tenth, or a bottom third, or whatever fraction may be chosen, that will be ma-

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terially less well off than the average. It is not only inequality of recompense that creates this situation. It is the infinite inequality to be found in human character, human ability, human traits of all kinds.

Two men may start out with the same capital, the same amount of land, the same type of small manufacturing or trade establishment. The more competent of the two will forge ahead of the other. It is as simple and inevitable as water running downhill. One of the great illusions of modern times is that some impersonal force – government, society, or whatnot—is responsible for poverty and that this same force has the power and obligation to cure it.

The favored remedies are huge handouts of public funds or attempts to force up money wages out of line with market conditions by way of minimum wage laws or through the exactions of monopolistic trade-union organizations. Even more drastic measures have been advocated, such as the negative income tax, under which the state would arbitrarily raise the incomes of all families that had failed to achieve a certain income level.

What is overlooked is that poverty usually stems from personal inadequacies of one kind or another, which no amount of outside subsidies will correct. Poor housing is often denounced as a breeding ground of crime, vice, and poverty, and is not to be defended on any ground. But here, the evil is easier to identify than the remedy. For, when modern, taxpayer-subsidized housing becomes available to slum dwellers, the result all too often is quick degeneration into a new slum, with elevators made unsafe by thugs, facilities damaged or destroyed by vandals. In other words, it is people as they are who make slums what they are.

Why Remedies Fail

Because money cannot buy those traits of individual character and initiative, many of the remedies for poverty which have been enacted or proposed, from sincerely humanitarian motives, miss the mark or lead to results the very reverse of what is expected. Minimum wage legislation is the surest known device to stimulate unemployment, especially in the adolescent age group, where work would be a most desirable antidote to juvenile delinquency. It is no mere coincidence that unemployment, especially among Negro teen-agers, has risen in a period of sharp boosts of the minimum wage level. No employer can pay help more than its economic worth

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and stay in business. Yet, that is what the minimum wage law in many cases requires.

Extravagant welfare payments are a potent cause of unemployment, when they approach the wage levels paid for unskilled work. If the choice is between a life of subsidized idleness on relief or earning a few dollars a week more by putting in a day of regular work, there are bound to be people who will opt for the check that comes without work.

International Ramifications

It is becoming an accepted dogma that the richer nations of North America and Europe owe an annual contribution in "foreign aid" to the poorer countries of the southern hemisphere. But experience has shown that there are the same variations among nations as among people, with the more energetic managing to do without this aid or quickly outgrowing the need for it and others absorbing large handouts year after year without any visible improvement in their status.

Finland is a striking example of a country that proved able, *after two unsuccessful wars, to pay* a substantial indemnity to the Soviet Union and regain a fairly satisfactory standard of living without foreign subsidies from any source. Hong Kong, the British colony on the southwest coast of China, is an even more vivid object lesson in the virtues and possibilities of self-help. Hong Kong is a picturesque rocky island with a small adjacent hinterland, both island and hinterland devoid of natural resources, apart from a fine natural harbor.

Commercial, banking, and shipping enterprises, attracted by the financial and political stability associated with a government limited primarily to police protection, transformed Hong Kong from a barren rock into one of the world's great international ports. And since the communist take-over on the Chinese mainland, Hong Kong has experienced another transformation. The city is bursting at the seams with industrious Chinese who voted against communism with their feet—by running away. And these Chinese, finding work at the lowest wages and under the hardest conditions preferable to their lot under communism, have enormously expanded Hong Kong's trade and industry. The city has become the cosmopolitan shopping center of the Far East, with suits of the finest quality and expertly tailored available at short notice to the traveling foreigner. And this recent significant expansion of Hong Kong was achieved without foreign help of any kind. It was just a matter of

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people with long experience in trade and handicrafts, denied a fair return for their labor at home, pulling up their sleeves and working hard in a new environment of freedom.

Success and Failure

American aid to Western Europe is now a matter of ancient history. Here it was mainly a matter of starting again at full speed economies which had been stalled by war damage. And there are non-European countries – Israel and Taiwan are good examples—which have freed themselves from dependence on outside help. On the other hand, India, Indonesia, and the Congo, among other nations of Asia and Africa, furnish a depressing spectacle of inability to make both ends meet no matter how much foreign aid is poured into them.

The pioneer settlers of the United States received no foreign development aid and expected none. All they wanted from foreign powers was independence and from their own government to be let alone to go as far as their industry and ability would carry them. They were unconsciously putting into effect the only kind of anti-poverty campaign that is guaranteed to produce results: intelligent, efficiently-directed, hard work.

The Human Factor in the Problem of Poverty

The human being, not the dollar, is at the heart of the problem of poverty, domestic and international. There are individuals who will succeed with little or no outside help, because they seize every opportunity to help themselves. There are others who will founder no matter how many benevolent helping hands are extended to them, because the inner drive to move ahead in a competitive world is lacking.

Poverty will never be conquered, although it may be universalized, by putting on it a huge price tag, payable in public funds. Indeed, the whole idea of imposing on the productive part of the community an ever heavier burden of supporting the unproductive is foredoomed to failure.

The best prospect—not of abolishing poverty, an unrealistic goal, but of diminishing and alleviating it—is to throw the fewest possible roadblocks in the way of thrift and industry. A given amount of capital, saved and invested in job-producing enterprises, will do far more to help the poor who can be helped than the same amount of capital seized by Federal, state, and local governments as taxes and distributed through bumbling bureaucratic agencies for supposed welfare projects. ◈

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—Latest in Britain's trend toward socialism

GEORGE WINDER

A TOTALITARIAN REGIME never acquires power in a democratic state as suddenly or as completely as communism conquered Russia, but Britain, nevertheless, is driven toward total socialism by a terrible inevitability which follows continuous inflation. If this strikes a note of despair, it must be put down to the loss of freedom from which the British people have long suffered.

The latest manifestation of socialistic drift is the Selective Employment Tax which is levied against wages to provide subsidies for export industries, a unique departure from the long-standing practice of taking from the rich to give to the poor. The alleged justification for this discriminating tax is that those who pay it produce only services, but those who receive it produce tangible products which add to our real wealth and can be exported.

Thus, we renew in the twentieth century the old mercantilist notion that some industries are better for the nation than others: and perhaps they are – if the nation is hopelessly committed to inflation. This latest step in Britain may serve as warning to other peoples dedicated to inflation as a way of life.

All employers in Britain, already required to withhold from wage payments the National Insurance Tax and the Pay-As-You-Earn Income Tax, must now also pay a weekly Selective Employment Tax of 25 shillings ($3.50) for men and half that rate for women. That is the end of the

Mr. Winder, formerly a Solicitor of the Supreme Court in New Zealand, is now farming in England. He has written widely on law, agriculture, and economics.

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matter for any employer in a service industry. But the employer who is manufacturing commodities, at the end of the accounting period, will receive his selective employment tax payment back in full plus a bonus of 7s. 6d. a week per employee. Also, the government expects to retain some £200,000,000 annually from the proceeds of this imposition.

This tax violates the basic canons of taxation. It is not equal or convenient or efficient; but revenue is not its primary purpose, that being to correct an economy grown steadily more wasteful and chaotic over the past twenty years or more. It is supposed to shake laborers out of the industries which the government considers nonessential and move them to "essential" industries.

Consumers Give Direction

In a free market economy with a sound monetary system all industries arrange their production in response to the way individuals choose to spend their money. In other words, workers are employed in industries in accordance with the demands of the consumer. Every penny spent is a vote as to which industry should expand and which shall slow down its output.

But with the kind of full employment achieved and sustained only by continuous inflation, this monetary guide tends to fail. Hiding the first hints of unemployment in any industry under a fresh supply of irredeemable currency leaves the entrepreneur with no reliable guide as to where it is most desirable to employ labor, or any other scarce resource. The economy, under such conditions, produces many things that are absolutely wasteful and neglects the production of those that are most needed.

Consequently, the government further intervenes to correct the harmful consequences of its inflationary policy, and we have such measures as the Selective Employment Tax. The result is an aggravation of the hardships stemming from inflation and a postponing of the necessary correctives that can only come as prices and wages are freed to reflect accurately the true market situation.

In Sussex where I live, for example, there are few manufacturing industries. The shopkeepers, the hotelkeepers, the lawyers, the doctors, the dentists, the hairdressers, the gardeners, the domestics, and numerous others who render services to the community must pay this tax. Some employers doubtless will be squeezed and obliged by the tax to dismiss less efficient employees – especially the

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very young and the very old. But instead of leaving their homes and migrating to the Midlands in search of a job, these persons are more likely to take unemployment pay under the National Insurance scheme. If the factories of the Midlands are to attract additional workmen, they must expand their investments. But here again, inflation discourages saving and investment, and government spending has created this additional problem that it now must try to solve.

The new tax law provides that charities such as the Salvation Army must pay the tax, but it will eventually be returned to them, so that the government is taking nothing from charity but a forced loan which pays no interest. Farming, fisheries, and transport workers are placed upon a similar footing. We can safely say that, in the hope of forcing labor into the necessary jobs, about half the country is being taxed for the benefit of the other half.

Discriminatory Powers

But the greatest danger from this tax lies in its potentiality for discrimination. By it, every industry in the country is placed at the absolute mercy of the government.

The well-known financial correspondent, George Schwartz, writing in the *Sunday Times*, puts the matter this way, "I have not the spirit or the build of a dictator, but give me the power inherent in this tax, and I would engage to make the whole economy dance to my tune. I could expand or contract industry at my will. I could alter the economic balance between regions, sexes, and ages; I wouldn't care who owned what. All private property would be under my sway."

Mr. Schwartz is quite right. Any government which can impose a tax of 25 shillings on one industry and a subsidy of 7s. 6d. for the benefit of another can easily quadruple the penalties and benefits and do what it likes with industry.

This much is certain, that wherever you have money which can lose its value by inflation you will eventually get a chaotic economy with nothing to guide its production. Sooner or later, the government is likely to intervene with corrective weapons which belong to a socialist dictatorship — the inevitable consequence of continued inflation. The only appropriate corrective is a sound monetary and fiscal policy — plus faith in freedom. ◈

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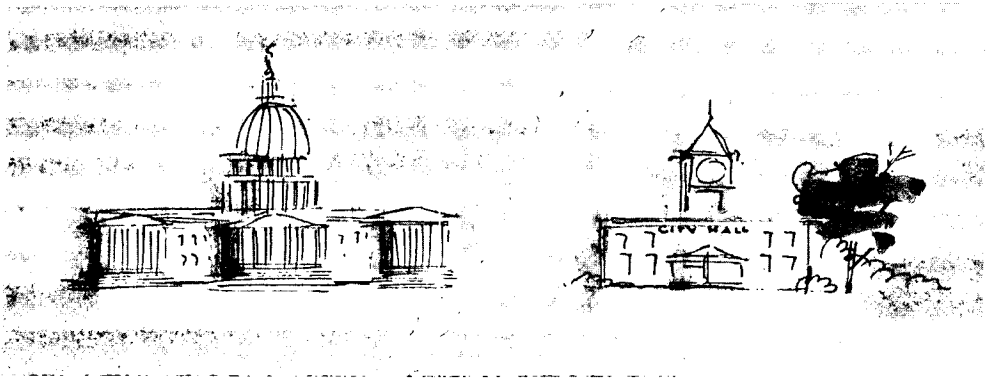

AMERICAN FEDERALISM: FUTURE

GEORGE C. ROCHE III

A SOCIETY is free only to the extent that its individual members are free. In short, if men are to remain free, self-government being a very important freedom, they must scrupulously maintain control of government. That is the essence of the American tradition of federalism. The assumption that a good cause allows government to do anything needed and that the government should decide what constitutes a good cause is the totalitarian mentality in action.

When these totalitarians are well intended, they are no less dangerous. We are all to become equal, not in our traditional American equality of *opportunity* but in the new sense, featuring equality of *condition*. This is the essence of the new paternalism. In the words of Willmoore Kendall: "The equality of the Declaration is the equality to which, say, Abraham Lincoln was born – an equality that conferred upon him merely an equal right to compete with his fellow men in the race, as we run it here in America, for whatever prize he in his equality chose to go after. Not so the egalitarianism of the Liberals. It must pick Lincoln up at dawn in a yellow bus with flashing lights, so saving him shoe leather, whisk him off to a remote consolidated school (financed, in all probability by inflationary bonds), feed him a free lunch, educate him for democracy, protect him from so-called concentration of social and economic power, eke out his income by soaking the rich, doctor

Dr. Roche, who has taught history and philosophy at the Colorado School of Mines, now is a member of the staff of the Foundation for Economic Education.

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him, hospitalize him, and finally, social work him – if, as he probably will now, he turns into a juvenile delinquent. Equality, by offering him the rewards of self-reliance, encourages him to become, above all, self-reliant; egalitarianism encourages him to play the angles."[1]

With remarkable foresight, Tocqueville foresaw the planner's state which would leave no room for diversity, creativity, or individual difference; and he warned repeatedly that the only safeguards against such a road were free institutions and private and decentralized forms immune from the planner's touch. He told a France soon to be ground beneath the heel of a Napoleon III that the local institutions he had seen in America were their last best hope. He warned that unlimited power is in itself a dangerous thing because God alone is competent to exercise such power. France did not listen; let us hope America will.

> Then everything includes itself in power,
> Power into will, will into appetite.

In these words, Shakespeare describes the unenviable progression of human beings who would play God. The problems of power and appetite are indeed closely related to our situation in America. As Franklin emerged from the Constitutional Convention, a woman tugged on his sleeve and asked what system of government had been proposed for the American people. His famous reply remains timely after nearly two centuries: "A Republic, if you can keep it." Later amplifying his remarks, he predicted that the new nation would be well administered for a number of years, "but only end in despotism, as other forms have done before, when the people shall become so corrupted as to need despotic government, being incapable of any other."

The Appetite for Power

In the problem of power and appetite we have another of those chicken and egg difficulties. Does the excessive centralization of power produce such an appetite to be satisfied that all desire for self-help is destroyed? Or is it appetite that so weakens moral fiber as to make centralization of power inevitable? No matter which comes first, the individual citizens of this nation must make the moral choice to control appetite if the trend toward centralization is to be reversed. This is the problem posed by Irving Babbitt forty years ago in his book entitled *Democracy and Leadership*, when he warned that

[1] Willmoore Kendall, *The Conservative Affirmation* (Chicago: Henry Regnery Co., 1963), pp. 17-18.

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"Americans must learn to talk less of their rights, more of their duties."

Socialism-through-welfarism is much harder to combat because of its humanitarian and democratic vocabulary than is socialism-through-nationalization, yet one is quite as deadly to liberty as the other. The collectivist, of course, takes full advantage of the misleading semantics available to the advocate of the welfare state, making his intent as innocuous as possible. Writing at the turn of the century, George Bernard Shaw emphasized this Fabian approach in his book, *The Intelligent Woman's Guide to Socialism and Capitalism*: "I also made it quite clear that under socialism you would not be allowed to be poor. You would be forcibly fed, clothed, lodged, taught, and employed, whether you liked it or not. If it were discovered that you had not character and industry enough to be worth this trouble, you might possibly be executed in a kindly manner; but whilst you were permitted to live, you would have to live well."

All of the advocates of such a system seem to believe that human nature can be molded if the planner has enough control. A distinguished American historian has made the remark that "no man who is as well abreast of modern science as the Fathers were of eighteenth century science, believes any longer in unchanging human nature." He goes on to say that the solution of modern problems, supposedly by "modern science," must not be hampered by constitutional limitations.[2] Such men usually also place emphasis upon an exclusively "economic basis of politics" as the sole motivating force of man's actions. They are fond of calling those who do not approve of their reforming schemes materialists, yet the true materialists are these men who see man only as a belly to be filled and in the process ignore the institutional and individual varieties of human nature that demonstrate man's dignity. As has often been suggested, political life will tend to absolutize itself unless there are some values outside the system — values not subject to change according to man's political whims.

A Need for Better Democracy

The answer given to all problems in our time is "more democracy." The real problem, of course, will hardly be solved by more of the same, that is, more democracy, but might well be solved by *better* democracy. Better democracy would

[2] Richard Hofstadter, *The American Political Tradition and the Men Who Made it* (New York: Vintage Books, 1948), p. 16.

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be defined not as a greater emphasis upon the lack of human dignity, but as re-emphasis of the concept of individual God-given integrity, dignity, and human variety, protected through man's institutional framework, as, for example, in his right to private property.

Professor C. Northcote Parkinson, in *The Evolution of Political Thought,* has traced the direction of democracy throughout the world in the past 200 years toward such an extension of human appetite to be satisfied by political processes that the original democracy has turned to socialism, with its inevitable centralization ultimately resulting either in out-and-out dictatorship or in Hilaire Belloc's "Servile State." Professor Parkinson, however, admits that America, though it has not gone in a different direction than the rest of the world, has at least lagged behind on the disastrous timetable he describes. The very diversity, decentralization, and limitation of power inherent within the American tradition of federalism is precisely the reason that we have done as well as we have in resisting such a trend.

Equality by Force

A socialist has little to contribute in the realm of genuine political ideas. Instead, he often merely insists that the liberal notion of political equality present in democracy is meaningless unless coupled with an enforced economic equality. As soon as it is decided that economic equality must be enforced through political processes, socialism and the welfare state become two peas in a pod with centralization and a collective ethic as the central facts of both systems. Such assumptions soon lead to such preposterous distinctions as the attempt to draw the line between human rights and property rights. Of course, no such distinction can be made. The Founding Fathers grasped a fact that the modern collectivist apparently cannot see: A man without property rights is a man without the right to the product of his own labor and is therefore not a free man. Property rights *are* human rights. So, the welfare state assault upon property leaves man neither his material welfare nor his freedom. Governmental subsidies and interventions of every kind, no matter how wrapped in semantic nonsense about "democracy" and "humanitarianism," are essentially coercive and therefore an assault upon voluntary actions of society and an assault upon freedom.

Ultimately, society's loss of freedom becomes the individual's loss. More and more, the conflict has become a struggle of the individ-

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ual versus the state in an attempt to answer the question of whether the individual exists for the state or the state exists for the benefit of the individual.

Lessons We Might Learn from the Fall of Rome

Cyclical theories of history, of the rise and fall of civilizations, are popular in our time. The parallel is often made, with considerable validity, between the fall of the Roman Empire and what may prove to be the decline of our own civilization. It might be recalled that the greatest strength and vitality of the Roman Republic stemmed militarily, economically, and socially from the sturdy middle-class yeoman farmer who strongly valued his own dignity and the institutions surrounding it—above all, family and property. These are the men who made Rome's legions unbeatable and Rome's economy sound.

It is to state a truism to repeat the tale of Rome's decline: the great absentee-owned estates centralizing all economic power in a few hands and driving the yeoman farmer from the soil, the vast bureaucracy and crushing taxation that literally destroyed the Roman middle class, the great mob of unemployed, without profession, dignity, or purpose, who filled the streets to clamor for bread and circuses. It is the very collapse of the old Roman character, the destruction of the sense of human dignity, the elimination of the middle class, and the tremendous centralization of economic and political power that produced these effects that ultimately destroyed one of the most enduring and successful experiments in government in the history of the world.

The destruction of human dignity and personal freedom brought about by centralized political control and the assault upon private property is hardly conducive to the variety and vitality of individual personality and private social institutions that are necessary to preserve a free society. The nameless, faceless, mass man increasingly produced by modern society is the greatest possible threat to purposeful human existence.

Screwtape gets the message across quite plainly: "You remember how one of the Greek dictators (they called them tyrants then) sent an envoy to another dictator to ask his advice about the principles of government. The second dictator led the envoy into a field of grain, and there he snicked off with his cane the top of every stalk that rose an inch or so above the general level. The moral was plain. Allow no pre-eminence among your subjects. Let no man live who is wiser or better, or

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more famous, or even handsomer than the mass. Cut them all down to a level: all slaves, all ciphers, all nobodies. All equals. Thus tyrants could practice, in a sense, 'democracy.' But now 'democracy' can do the same work without any other tyranny than her own. No one need now go through the field with a cane. The little stalks will now of themselves bite the tops off the big ones. The big ones are beginning to bite off their own in their desire to Be Like Stalks."[3]

Ample Warnings of Excesses Have Gone Unheeded

Standardized ciphers produced by such a system are scarcely qualified for the high degree of self-government required by the American tradition of federalism. Tocqueville warned that the quantity of information, interest, and discernment necessary to make our system work was great indeed, and warned that should that discernment ever languish, Americans would fall beneath the yoke of a centralized administration. We still have many freedoms and many individual and institutional differences left to us by our legacy. But, as David Hume once wrote, "It is seldom that liberty of any kind is lost all at once."

Daniel Webster warned long ago that if this nation, with all of its unique opportunities, should ever prove unable to preserve representative government, then the world's hope of achieving lasting liberty would be slight indeed. Half a century after Webster, Lord Acton speculated upon the possibility of maintaining a system of representative government and genuine liberty and found the key to that system in the limitation and diffusion of power exemplified by American federalism.

In our times, that system is under heavy attack. What makes this attack often doubly dangerous is presented in the words of Dean Inge: "History seems to show that the powers of evil have won their greatest triumphs by capturing the organizations which were formed to defeat them, and that when the devil has thus changed the contents of the bottles, he never alters the labels. The fort may have been captured by the enemy, but it still flies the flag of the defenders."[4] As a case in point, consider the misnomer of "Creative Federalism," the label given to the grants-in-aid program, whereby centralized spending and centralized decision-making is undercutting state and local government. What such a system

[3] C. S. Lewis, *The Screwtape Letters* (New York: Macmillan Co., 1962), p. 165.

[4] Dean Inge, *Christian Ethics and Modern Problems* (London: Hodder and Stoughton, 1930), p. 138.

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might be creating is open to discussion, but it surely isn't federalism.

The Tradition Re-examined and Steps Toward Restoration

In the face of such semantic erosion, it is necessary to understand thoroughly our American tradition of federalism in all of its historical continuity. Such an understanding is the first step in the resuscitation of the tradition.

The second step is to realize the great vitality that the tradition retains in our time despite the attacks upon it. The electoral college, with its emphasis upon block voting for states, is clearly not in the nose-count pattern of democracy espoused today, yet the innumerable proposals for "reform" of the system have remained in the planning stage. Despite all the talk about direct, unlimited democracy, this nation has *never* in its entire history had a single direct all-national vote on any elected official or issue, not even on the adoption of the Constitution itself. American political parties continue to demonstrate the vitality of American federalism. Our parties are unique. Unlike the doctrinaire political parties of other nations, ours are extremely flexible and contain within their ranks room for all sorts of local and regional attitudes and interests in both the social and economic spheres.

Democratic reform is often best conducted on local or state levels, notwithstanding views to the contrary by the central planners (who apparently feel that nothing worthwhile ever gets done unless they do it). In the words of Felix Morley: "Indeed, one of the great virtues of federalism is the power given to the constituent units to adopt experimental measures in accordance with the wishes of local majorities, without imposing such developments on sections not ready or willing to go along . . . political democracy is thus localized or qualified, but in no sense denied under the American system."[5] This is what William Penn called keeping "the power in the people," and encourages the individual citizen to exertions for his own sake without the stultifying effects of centralized control.

The can of beans which the grocer exchanges for the housewife's thirty cents, because he would rather have the thirty cents and the housewife would rather have the can of beans, epitomizes the billions of transactions that constantly occur in this country without centralized planning or control. The multiplicity of such

[5] Felix Morley, *Freedom and Federalism* (Chicago: Henry Regnery Co., 1959), p. 54.

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individualized decision-making in the economic and social realm reflects the genius of the typical American for running his own business better than the central planners can do it for him.

Signs of Strength and Recovery

Not only is there a lot of vitality left in the old system, but there are signs as well of a developing pressure for increased decentralization in American political life. In recent years, the state Chief Justices Conferences and the American Bar Association, both organizations of tremendous influence in American legal and political life, have been insisting with increasing intensity that the time has come for the Supreme Court to begin to exercise judicial restraint and to return to a more strict interpretation of Constitutional law. The value of the federal concept is becoming increasingly popular in other places as well. Peter Drucker, in his *Concept of a Corporation,* has demonstrated the tremendous success of the federal principle when it is applied in American big business. It seems that decentralization of decision-making and the growth of individual responsibility which this produces is a very effective way of getting things done in the business world. Well, it should be; Americans have a lot of experience with that approach. We've been doing it for 350 years.

Another sign of the continuing vitality of the American tradition of federalism is the strong local and institutional loyalty which persists among the American people. Private schools, church organizations, geographic areas, and ethnic groupings have resisted the attempt to make one big "great society" out of them. Defining community as a "union of men, through love and common interest for the common welfare," Russell Kirk has spoken in defense of such diversity: "Community and collectivism are at opposite poles. Community is the product of volition; collectivism of compulsion. Community stands for variety and intricacy; collectivism, for uniformity and arid simplicity."[6]

Americans have also continued to insist that the church and not the state is the center of morality. It is one of the founding fathers of the modern totalitarian state, Nikolai Lenin, who regarded religion as "the opiate of the people," but it is one of the founders of our American tradition of federalism, George Washington, who insisted that religion is the "indispensable support of political prosperity." As T. S. Eliot suc-

[6] Russell Kirk, *Prospects for Conservatives* (Chicago: Henry Regnery Co., 1956), p. 129.

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cinctly phrased it in *The Idea of a Christian Society*, "Reject God and you might as well pay your respects to Hitler or Stalin." If William Penn's warning that "man ultimately will be governed by God or by tyrants" is correct, the American insistence upon the continuing diversity and vitality of American religion suggests that the people of this nation are unwilling to accept the tyranny of centralized control.

Self-Discipline by Free Men

If the federal system is to stand as a barrier against the expansion of the state into more and more of American life, the self-discipline of free men must be exercised; and self-discipline is a moral question that depends upon the character of the individual. People ultimately get the government they deserve; and whether the control by the national government is the cause or the effect of a decline in the American belief in self-help, the best defense against a further extension of governmental authority and the best means of rolling back the tide is a reassertion of the individual moral ethic. In a word, if we would preserve liberty, let us begin at home. The point of the federal system, as the Founding Fathers, Tocqueville, and any number of other political thinkers have made clear, is the protection of the framework within which these individual choices may be made.

While deciding where we go from here, we might also recall that the collective idea has suffered its reversals as well in modern times. The economic and political troubles plaguing the Marxists have persisted now for enough years to alert the world that there might be something wrong with such a system. Here in our own country no American politician with any serious ambition for public office would dare to call himself a socialist. The Constitution with its balance of powers and interests remains very much on the books; the concept of private property is so strong among the American people that even the most ardent collectivist is careful always to phrase his attacks on that institution in the most misleading and innocuous terms. And we remain a religious nation and a nation with considerable sense of respect for the institution of the family.

Look to More Freedom, Not Less

Our problem then, is not the creation of a genuine rule of the people, but a conservation of the institutions and ideas that are already deeply rooted among us. If the problem of slavery and its latter-day offshoot, civil rights,

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together with some of the adjustments that have been brought about by industrial capitalism, have placed strains upon this traditional system, at least the system remains in operation with a federal union and a wide range of personal and institutional liberty that has produced a greater social mobility and wider material prosperity than any other system in the history of the world.

Throughout American history our people have maintained a constant suspicion toward power encroachment on the part of the state. And while crises such as war and depression, or some sort of sectional, class, or racial strife, have tended to centralize power, we have met these crises and still retain much of that healthy American prejudice against unlimited governmental power. If our system has had problems, we might speculate as to how a greater faith in individual liberty could have solved them. For example, is it possible that the free market might have averted the Civil War? If the abolitionist do-gooders had not built political pressure into war, might not slavery have become such a costly anachronism in an increasingly industrialized America as to have died a natural death?

Similarly, a persuasive case by such men as Professor Benjamin Rogge and Professor Milton Friedman has been made to suggest that the free market could well provide the best answer in the solution of racial prejudice. They have been making quite clear the negative, repressive effects of coercive political interventions, interventions which have their most destructive effect on the very elements within society they are supposedly designed to help. If the Negro can't get a job, he owes much of his difficulty to minimum wage legislation and to the monopoly situation produced by the labor legislation now on the books in this country. If the Negro can't get a place to live, he owes much of his difficulty to the whims of urban renewal. It is not the free society that has hurt the Negro, but rather the political interventions interfering with the free society.

Faith in Ourselves

Our political heritage should have taught us by now that some problems of society are not capable of solution by the mere passage of a law; the greater the diversity allowed within the system to let problems work themselves out, the more likely it is that the solution will fit the problem.

If we need faith in our system to allow it to work, we also need

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faith in ourselves to be able to say "No!" If the states would come to understand how expensive a Federal handout proves to be, they could say "No!" If Congress, as the branch of the national government most representative of the diversity of American interests, really comes to understand the dangers inherent in centralization of all power within the executive branch, it can say "No!" most effectively to the presidency and the bureaucracy. Federal programs without congressionally appropriated funds to operate them are nothing more than castles in the sand. Above all, the individual American in the exercise of his political franchise, as well as in his economic and social decisions, still has the power to come up with the biggest "No!" of all.

It is the totalitarian thinker who prides himself upon being "monolithic." But Stephen Spender has remarked: "They are congratulating themselves on being dead: and it is for us to see that they do not turn the whole world into their cemetery."

A Vital and Honorable Heritage to Be Preserved

Our tradition of American federalism has a long and honorable heritage and is perhaps the greatest success story in the world's history. It retains great vitality in our own times and the means are readily available to Americans to further invigorate the concept. As Lincoln suggested in his Cooper Union address: "Let us be diverted by none of those sophistical contrivances wherewith we are so industriously plied and belabored — contrivances such as groping for some middle ground between the right and the wrong." That insistence upon choosing between right and wrong is a matter ultimately of individual moral responsibility. And as this nation and its heritage constitute freedom's last, best hope, the necessity for individual moral responsibility was never greater. It is as true today as when Dante said it centuries ago: "The hottest places in hell are reserved for those who, in a period of moral crisis, maintained their neutrality." ◈

IDEAS ON LIBERTY

Maxwell Anderson

THE GREATEST ENEMIES of democracy, the most violent reactionaries, are those who have lost faith in the capacity of a free people to manage their own affairs and wish to set up the government as a political and social guardian, running their business and making their decisions for them.

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FREEDOM: OUR DILEMMA

W. Watts Biggers

If we are free men and if freedom is the cornerstone of our ideology, have we not already achieved ideological perfection and thus become a nation of people without an aim? In short, is the ideological road to freedom nothing more than a dead-end street?

No! If some of us are people without an aim, this is because we have failed to recognize a simple yet most important fact: *We are not free.*

So long as a single man is bound by the chains of prejudice, ignorance, or fear, we are not a free people. The fact that we are not surrounded by concrete walls or steel bars blinds us to the fact that barriers just as real and just as important prevent us from being free. One man may be struggling to free himself from ignorance, another from prejudice, another from fear – but they are all prisoners. And each of us has a responsibility to these men and to ourselves to join in the battle for freedom.

Could we really be free and still hate each other? Am I free if some prejudice instilled in me as a child prevents me from judging all men on the basis of their individual merits rather than race or creed? Are any of us really free when, in moments of stress or panic, we are guided by twisted fears or primitive instincts rather than sane common sense?

We are not free. The brave men of this country who give their lives in wartime do so in order that we, the living, may be outwardly free to work toward a far greater freedom. It is our failure to live up to this responsibility – our failure to understand the true dimensions of freedom – which has made many of us lose our way.

Mr. Biggers heads the Biggers and Stover firm of advertising consultants in Massachusetts and also is President of Total Tele-Vision Productions.

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We have failed to see our responsibility; to recognize that it is our duty to struggle for greater freedom both for ourselves and our neighbors. Make no mistake about this: If a man is truly searching for freedom – struggling to untie the knotted cords within himself – then he cannot be crass and materialistic; he cannot be solely concerned with fame and fortune.

If a man is struggling for freedom, he will not devote all his nonworking hours to the pursuit of flimsy, meaningless "entertainment." Rather, he will recognize that increased knowledge means increased understanding of ourselves and of others, and only through such understanding can freedom be gained.

The man who struggles for freedom will not confuse freedom with license. He will recognize that only through full regard for the rights of others can he hope to keep even the degree of freedom he has now; that any crime he might commit, however large or small, would violate his own right to this freedom. And so, he will be law-abiding out of understanding, not out of fear of penalties prescribed by law.

The man in search of true freedom is a man attempting to find himself. Each job he undertakes he will attempt to approach in a new way – his *own* way, in the way best for him – and, in this manner, he will attempt to fully utilize his own particular talents. He will try to see and think for himself, to free himself from conformity and, thereby, bring to the forefront his own individuality.

Each Advance Affords New Opportunities—and Responsibilities

Man moves toward freedom slowly – one step at a time. If he achieves physical freedom or religious freedom or political freedom, he simply opens up another frontier of freedom – the fight against the enemy within himself. And he must recognize that each new freedom gained places additional responsibility on his shoulders. The continuation of his own search for freedom demands a society in which all men are free to work out their own destiny; and so, along with his individual struggle, he has the responsibility to work toward attainment or preservation of outward freedom for all men everywhere.

The man struggling for freedom will understand that revolutions may be fought because men are not physically, politically, or spiritually free, but that *wars* are fought because men are not free from the animal within; that the assured continuation of our free society by way of permanent peace will be possible only

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when all men everywhere are on the road which leads to complete freedom.

But this road is no four-lane highway. It is a narrow road filled with pain and suffering, a road with treacherous conditions: wet with the blood of men enslaved; darkened by the shadow of gallows; filled with rubble from wars of revolution; made a nightmare by the conflicting wants, passions, hatreds of every individual; made almost endless by the steel-like grip of man's powerful animal heritage.

No man can travel this road for another. No man can give to another the rewards which lie thereon. No man can force another onto the road to freedom nor force him to leave it except by death.

There are no shortcuts to the end, nor any special modes of transportation to quicken the journey or make it more comfortable. It is a long road, but it is the only one which can lead to the fulfillment of mankind's great potentiality.

We, as individuals, can best protect the degree of freedom we now have by joining in the struggle for still greater freedom – by working to rid ourselves of hate and fear; by understanding that each man is a participant in this struggle and therefore our brother; by fighting against conformity, and struggling to realize our own true individuality, and helping others to do the same; by recognizing the power of our still primitive instincts and struggling to overcome them; by fighting against poverty and ignorance and hatred and prejudice wherever we meet them; and, finally, by helping ourselves and others to understand that only in the fight for greater freedom can we possibly find self-fulfillment.

No, the road to freedom is no dead-end street. We have simply stopped moving. It is time we started again. ◈

IDEAS ON LIBERTY

John Stuart Mill

IT IS AN ABUSE of the principle of equality to demand that no individual be permitted to be better off than the rest, when his being so makes none of the others worse off than they otherwise would be.

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The Challenge of BUSINESS

TOM ROSE

CONGRATULATIONS on the successful liquidation of your Junior Achievement Companies.

That none of your companies ended up its fiscal year with a loss in a way disappoints me, because losing money can provide a very instructive lesson: Our American enterprise system isn't only a *profit* system – it is a *profit and loss* system.

As a Junior Achiever, these are some of the things you might have learned about business in general:

1. A business corporation is not a cold, impersonal, legal entity. Rather, it is a living and dynamic association of people. And each person in it has his own mixture of strengths and weaknesses, hopes and fears. Each corporate member has a worthwhile contribution to make. Each is a sacred creature of God – who, as such, merits your respect and cooperation, even your brotherly love.

2. If there is one word that denotes the essence of our modern business world, it is the word "voluntarism." Or, if we want to use two words to signify this essence, we would use the words "voluntary cooperation."

A company – whether it is a small one-owner organization, a partnership, or a large international corporation – is, above all, a voluntary association of individuals. Each participant is free to terminate his association whenever he chooses. And the mastic which is used to cement each individual to this voluntary association is his hope to gain personal profit from it. For some, this profit or benefit is received in the form of wages; others receive it

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From a speech delivered at the Future Unlimited Banquet, May 5, 1966, Junior Achievement, Fort Madison, Iowa. Mr. Rose is Director of Economic Education, Associated Industries of Missouri.

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in the form of dividends. And to many, the benefit is received as both wages and dividends. Many employees in modern corporations play a dual role of worker and owner. In this respect, they are self-employed.

The point I want to make is this: the catalyst of all voluntary cooperation between individuals is the hope of mutually benefiting through such cooperation, i.e., mutual profit. This is what makes big companies and little companies beneficial to all.

3. Now, a word about problems. A problem is an opportunity in work clothes. Never complain about problems in the business world; because without problems to be solved, a business isn't a business at all. It's an extinct fossil; it is dead.

Business problems – and they come in all sizes, shapes, and disguises – are simply opportunities for personal growth.

In talking about problems, let's recognize that no one solves all of them successfully. At times, everyone pulls a boner; and at such times, it's wise to remember the difference between failure and stumbling. Failure is what happens when a person quits. It is final. Stumbling – i.e., falling down and picking yourself up to go on – is turning temporary failures into profitable experiences. This happens when you use the stumbling blocks you encounter as building blocks for a stairway to success. James Russell Lowell said, "Mishaps are like knives, that either serve us or cut us, as we grasp them by the blade or handle."

4. Let's back away from this word "business" and take a look at it. What is business? Isn't it simply the cooperative process of anticipating and responding to consumer needs in hope of making a profit? And wasn't the efficiency with which your own J. A. Company met consumer needs measured by the profits it earned, or by the losses it sustained?

Your Company provided you with a two-part lesson about our free enterprise system that some people never seem to learn. And I hope you have learned it well.

A. First, that *everyone benefits from a profitable business* in a free market economy. And why is this? Because, in the free market, every aspect of business is voluntary. Business owners and business workers voluntarily cooperate in the process of selling goods and services to consumers. In doing this, they can't help but benefit each other. Consumers, on the other hand, are free to buy or not to buy what producers offer for sale. Since no one voluntarily continues an unprofitable

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relationship, the continuing cooperation of consumers, workers, and owners is proof in itself that each group benefits from the role it plays.

B. Second, that *losses* in the free market are limited to *risk takers*. Losses are limited to those dynamic entrepreneurs who are always seeking new ways to maximize profits. They personally stand all losses because, in the free market, there is no way for them to impose their losses on the public. And this is good! It is one of the essential differences between free enterprise and socialism. In a socialist state, the public is forced to share business losses through payment of government subsidies and taxes.

Specific Lessons

Now, to touch upon some specific lessons from your own J. A. Company which you can apply later on to real life situations:

1. *Investment:* When you ventured out to sell shares of stock in your Company, you learned that investment in businesses doesn't "just happen." The tools, facilities, and materials you used to produce your products didn't materialize out of thin air. They had to be rented or purchased.

This took investment money — money that first had to be saved. From your personal efforts in raising capital, you should have learned this basic economic fact: Investment money to buy tools of production results from saving, i.e., from postponing current consumption. In other words, in order to create a surplus for investment purposes, each investor had to refrain from currently consuming the amount he invested. And the incentive for people to forego spending in order to accumulate risk capital is the hope for profit. Remember this lesson for later in life. Some day you may want to start a business of your own.

2. *Profit.* The legitimate purpose of all business enterprise is to earn a profit. If it were not for profit, your J. A. Company would not have been formed in the first place. The same holds true for the companies where your fathers are employed. Therefore, the realization of profit calls for no apologies. Rather, the absence of profit can't long be tolerated in any business. Samuel Gompers, the founder of the American Federation of Labor, said:

> The greatest crime against the workingman is a company without profits because a company without profits means workers without jobs.

Profit isn't a cost borne and

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paid for by consumers. Profit isn't added on to the market price of what we buy. It is residual. Profits are earned by companies which are successful in reducing and keeping production costs under market prices. Because profits are so hard to come by, some businessmen occasionally say something to the effect that "every company is entitled to a fair profit." If so, who is to determine what "fair" is? The owners of a company? . . . certainly not. The workers? . . . no, again. The government? . . . heaven forbid!

No, only *consumers* can fairly determine what rate of profit a company should earn. They do this through buying or refusing to buy the company's products on the competitive market. Sometimes this rate of profit will be very high. Other times it will be very low – or even nonexistent. Whatever it is, if consumers determine profit by free choice, it is sure to be fair. When allowed to function freely, the free market is absolutely fair to all concerned.

3. *Losses:* We've been talking about profit. How about the negative aspect of profits, that is, losses?

The fear of financial loss is a good thing. It is a necessary part of our free market system. The fear of losing money, like the hope for profit, acts as a powerful spur in stimulating businessmen to serve consumers more efficiently. In short, profits and losses serve as traffic signals to businessmen: The red signal of loss says "Stop! You're not doing too well." The green signal says "You're doing fine! Keep up the good work!" With the red light of loss, consumers signal a businessman to reduce investment and employment. With the green signal of profit, they invite him to increase investment and employment where he is meeting consumer needs most efficiently. Thus, losses as well as profits serve a useful purpose in directing production to benefit consumers.

4. *Wages:* Wages depend on productivity. And high productivity takes good tools, good technology, and willing cooperation with management.

An increase in real wages goes hand-in-hand with increasing productivity. A good wage structure needs a solid foundation of productive effort to support it.

5. *Costs and Prices:* Many people have the mistaken idea that there is a direct relationship between production costs and prices. They think that businessmen can compensate for increased production costs by boosting prices to consumers. People who hold this

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mistaken idea forget about the voluntary role of consumers in our free market system. They forget that consumers are free to find cheaper substitutes or, in many cases, to do without.

Production costs don't determine market prices. Rather, it's the other way around: market prices limit the total amount of costs a businessman can allow to go into the product he sells. The fun and challenge of producing something for use in the free market is to determine what consumers will pay for it, and then to manage your company so that production costs will be less than this figure. This is the challenge of the free market.

6. *Business-Workers and Business-Owners:* There are elements in our society that strive to create dissension between business-owners and business-workers. They divide society into little compartments called "labor" and "management." Then they try to foment "war" between the groups they themselves have created.

The well-being of employee and employer cannot be separated. They are two sides of the same coin. What is good for one is good for the other. The mutual interest of employees and employer far outweighs any artificial differences that might be created between them by others. This common interest is to serve consumers, a company's only source of income—and to serve them at a profit. This calls for helpful cooperation instead of harmful strife.

Class warfare is a Marxist idea. If workers and owners serve consumers efficiently, a competitive labor market will assure fair distribution of the consumer dollar.

The reason a free market society will outproduce any other society is individual freedom; i.e., the right and freedom of each person to use his property and talents as he sees fit, with a minimum of interference from others (and especially from government). The reason why individual freedom works to the advantage of all is that the owners of land and capital can't get much benefit from their wealth unless they use it to serve the needs of consumers.

And, in considering the challenge of business, may we remember that the difference between mediocrity and outstanding success is seldom very great. The difference is not found in brilliant flashes of genius. Rather, it lies in a small degree of extra performance and hard work put out over an extended period of time. This also applies to organizations. Thus, a company's economic success depends on the number of individuals who understand and cooperatively ap-

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ply this secret at all levels of the organization.

I would close with this inscription, dated 1692, from the wall of Old St. Paul's Church in Baltimore:

DESIDERATA

GO PLACIDLY amid the noise and the haste, and remember what peace there may be in silence. As far as possible, without surrender, be on good terms with all persons. Speak your truth quietly and clearly; and listen to others, even to the dull and the ignorant; they too have their story. Avoid loud and aggressive persons; they are vexatious to the spirit. If you compare yourself with others, you may become bitter or vain, for always there will be greater and lesser persons than yourself. Enjoy your achievements as well as your plans. Keep interested in your own career, however humble; it is a real possession in the changing fortunes of time. Exercise caution in your business affairs, for the world is full of trickery. But let this not blind you to what virtue there is; many persons strive for high ideals, and everywhere life is full of heroism. Be yourself. Especially do not feign affection. Neither be cynical about love; for in the face of all aridity and disenchantment, it is as perennial as the grass. Take kindly the counsel of the years, gracefully surrendering the things of youth. Nurture strength of spirit to shield you in sudden misfortune. But do not distress yourself with dark imaginings. Many fears are born of fatigue and loneliness. Beyond a wholesome discipline, be gentle with yourself. You are a child of the universe no less than the trees and the stars; you have a right to be here. And whether or not it is clear to you, no doubt the universe is unfolding as it should. Therefore be at peace with God, whatever you conceive Him to be. And whatever your labors and aspirations, in the noisy confusion of life, keep peace in your soul. With all its sham, drudgery and broken dreams, it is still a beautiful world. Be cheerful. Strive to be happy. ◈

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Organized Irresponsibility

CLARENCE B. CARSON

MUCH of the criticism of government officials, bureaucrats, and politicians is beside the point. Stories are legion of attempts to contact the appropriate bureaucrat to deal with some matter, particularly in Washington, and getting the run-around instead — shunted from one person to another, told that the proper official is in conference, that he is on leave, that he cannot be reached at present, and so on. The difficulty may well become insurmountable if there is an attempt to place the blame for some action. Such experiences may build pressure for yet another commission to be appointed, in the manner of the old Hoover Commissions, to investigate the bureaucracy and recommend change. A new President may become so exasperated trying to establish clear-cut lines of authority and responsibility that he will press vigorously for reorganization. These are attempts to treat the symptoms, however, not the disease.

In like manner, businessmen will say of some government bureaucrat: "He never met a payroll in his life." The thought behind this caustic remark is that if the official had employed men, if he had been responsible for accumulating the money to pay them, if he had to provide goods and services to get the money, he would understand the problems of the businessman. And if he understood, he would be more lenient, would modify the rules, would make more tolerable decisions in the area of his authority. There are many variations on this theme. Has the building inspector ever

Dr. Carson is Professor of American History at Grove City College, Pennsylvania.

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built a house? Has the sanitation inspector ever done any plumbing? Has the labor arbitrator ever employed men? Has the Interstate Commerce Commissioner ever run a railroad? The answers seem quite important to those who find themselves harassed in one way or another by government officials. Yet, they do not matter much. The underlying flaw of the system would still be there, though each of the above questions was answered in the affirmative.

"Let George Be Responsible"

Superficial attempts to improve the situation have followed upon the superficial analyses of the problem. Most notably, there has been much talk in recent years about men behaving responsibly. Businessmen are exhorted to act "responsibly" to avoid the "necessity" of government intervention. Labor union officials are begged to be "responsible" in their demands upon industry. Newspapers are expected to be "responsible" in what they report. College professors should be "responsible" in their pronouncements. It is widely held that rights and privileges have corresponding responsibilities and that even "civil rights" advocates should be "responsible" in their advocacy. While such exhortation may have some effect on the behavior of men, it is more likely to impress children. It is a confidence game, an attempt to sway men to behave contrary to the way they are impelled and encouraged to act by the established system.

In fact, we have widespread and pervasive organized irresponsibility in America. It makes little difference whether government bureaucrats have met a payroll, whether Interstate Commerce Commissioners have run a railroad, whether labor arbitrators have employed men, and so on. No reorganization of the bureaucracy under the present system will go very far in making government officials accountable for what they do. In numerous cases the exercise of power has been cut off from the consequences of the action, and the use of authority has been disjoined from responsibility for results.

To understand this, it will be useful to get clearly in mind the nature of responsibility. The following ideas are closely associated with responsibility: obligation, chargeable, accountable, liable, amenable, and answerable. Philosophically, the meaning of the word is derived from the idea that individuals *respond* to that which confronts them; they make choices and act; by choosing and acting, they become *responsible* for the

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results. For example, a man fathers a child; by so doing, he becomes responsible (is obligated) for the rearing of the child. Responsibility is personal and individual; it has to do with cause and effect, with the relationship between what one has done and the consequences of it.

Individual, Social, Legal

There are three elements which, when taken together, reinforce one another and make for full-fledged responsibility. First, there is the individual's sense of obligation to meet his responsibilities. For example, a man buys something for which he contracts to pay over a period of time. He has willingly entered into an agreement; he has obligated himself to make payments when they fall due. His sense of responsibility may lead him to meet the terms of his contract. Second, there is social responsibility. As to the particular debt in question, society would appear to have no interest. Yet it does. The individual in question has dealings with others. They are interested in knowing whether he pays his debts or not. If he does not meet his obligations promptly, this failure will affect his credit rating (a social instrument), and men may cease dealing with him in any matter that involves time considerations. Thus does society hold men responsible. Third, there is legal responsibility. A creditor may go into court to get a judgment against the debtor. To enforce this judgment, the creditor may, in the final analysis, attach the debtor's possessions, garnishee his wages, or throw him into bankruptcy (have him proclaim his irresponsibility to the world). Analogous procedures must be in effect in all areas of life for full-fledged responsibility to exist.

A Slow Erosion

A generation has been brought up to believe that men are not responsible for their acts. This is an overstatement of the case, of course. Children are still taught that they are responsible – sometimes and in certain areas – for their actions. Adults, some of them, still have a sense of responsibility and can be held socially and legally accountable for actions. The truth is, however, that this responsibility is being eroded away. The erosion has occurred gradually and piecemeal in America, for the most part. We are seldom told anything so general and all embracing as that men are not responsible for their acts. To do so would raise the question of the philosophical implications of such a position.

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Rather, subtle doctrines of irresponsibility have been spread over a period of several decades. Men are the products of their environment, we are told. Responsibility is collective, another version goes; society is to blame. For more than a century the doctrine that institutions have corrupted men has had its advocates. Others hold that men are factors of their class or economic situation. Socialists, following the lead of Marx, generally have held some variation of the doctrine that changes in technology produce tensions in society which result in the different views and actions.

In particular, we are told that criminals are the products of bad environment, infantile frustrations, social maladjustments, and so on. Labor violence is supposed to be the product of exploitation. Race riots, even an Attorney General may proclaim, are the results of deprivation. Revolts, whether of college students or of would-be nations, are the consequences of oppression.

In short, we are led to believe by subtle explanations – and in particular instances which, when taken together, include almost all cases – that men are not responsible for what they do. It is not possible, of course, literally and consistently to apply these doctrines in a society. Society cannot feel a sense of responsibility or guilt (for that matter, it cannot feel anything, for it is not sentient). The environment cannot be locked up. Technology cannot be reformed by a period in reform school. To say that entities of this character are responsible is the practical equivalent of saying that no one is responsible and nothing can be done about it. Those of the naturalistic persuasion (popular among some intellectuals in the latter part of the nineteenth century) quite often drew just that conclusion from the doctrines.

Destroy and Rebuild

But the doctrines of individual nonresponsibility can be and have been applied selectively for attaining certain objectives. They are most effective ideas for destroying the social system of responsibility, and, for that matter, civilization itself. Such doctrines are effective in destroying the individual's sense of responsibility (called guilt feelings in the argot of certain psychologists). If believed, these doctrines inhibit the practice in society of men holding others responsible. And, of course, these doctrines of nonresponsibility can be used to remove legal responsibility. In short, they can be and have been used for destructive purposes.

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They have also been used as the basis for attempting to construct a new social system. That is, these doctrines have served as arguments for using government power to change the environment. Efforts at remolding institutions are spurred by those who believe such ideas. Collective practices have been advanced to replace the system of individual initiative and individual responsibility. The result, however, is not a new system of responsibility. It is, instead, organized irresponsibility, that is, irresponsibility institutionalized and made a part of the way of life of a people. Exhortations to people to be responsible are replacing the system of responsibility.

Some examples will demonstrate how this has occurred. It has been going on for several decades now and is gradually extended into more and more areas of life. One of the most conspicuous instances of organized irresponsibility is that of the so-called independent boards and agencies of the Federal government, though those of many of the states are equally so. Among such organizations of the Federal government are: Interstate Commerce Commission, Securities and Exchange Commission, Federal Reserve Board, National Labor Relations Board, Federal Power Commission, and so on. Of a similar character so far as responsibility is concerned are the government corporations such as the Tennessee Valley Authority.

Powerful Agencies

There are several angles from which to view the irresponsibility of those within these organizations. First, they are government agencies. Those who exercise the powers of government appropriate monies most of which are not their own. They pass laws which apply to the population generally, not just to themselves. They make war and peace, make treaties of alliance and commerce, employ workers, have charge of an extensive constabulary, and may use force to obtain obedience to their commands. All of these powers affect the lives of many more than those few who actually exercise them.

In the United States, many devices were adopted to make those in government responsible or to give them as little leeway as possible to act irresponsibly. Perhaps the most important of these was a written constitution in which the powers of government are enumerated and government is specifically forbidden to enter certain fields of operation. The powers of government were divided among three branches so that quest for power by any person or branch would be supposed to be

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negated by the jealousy of other branches. Those who appropriated monies were made responsible to the people from whom the monies came by being made subject to election at frequent intervals. Those in government were supposed to be subject to the laws passed, and those who execute the laws and spend the monies were to be accountable for their stewardship to Congress and to the courts.

Interstate Commerce

The Interstate Commerce Commission was the first of the "independent" agencies organized to evade many of the devices for holding responsible those who govern. Since its founding in the 1880's, its power has been increased to include setting minimum and maximum transportation rates, deciding what services must be performed or may be discontinued, approving or disapproving mergers, and so forth. Legislative, executive, and judicial powers, rather than being separated, have been blended in one body, so that the quest for additional power by this organization is not at the expense of other political branches but of the owners of transport facilities. Congress authorized the Commission, but it operates "independently" of Congress. The Executive appoints the members, but they serve for a period of years and are therefore "independent" of the Executive. In short, the Commission – and others like it – is not responsible to the electorate. No election has ever been held where the actions of boards and commissions were sufficiently at issue to say that they have been either popularly approved or disapproved. Nor is one likely to be. These agencies are "independent," independent of the people – that is, politically irresponsible.

In the final analysis, though, the Interstate Commerce Commission – and all who exercise like powers – would be irresponsible even if it were a committee of Congress or a department of the Executive. The actions themselves are irresponsible. When the Commission sets a rail rate, its members are not responsible for operating a railroad on the revenue derived. When it prescribes that services must be rendered at a particular station, it is not responsible for providing these services. If the regulated company goes bankrupt, the Commission does not have to pay the bills. The members of the Commission can make decisions with virtual financial and legal impunity. They are not responsible – even when they circumspectly refrain from harmful decisions; the transport compa-

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nies, in such case, have only escaped by *chance*.

Degrees of Irresponsibility Among Various Agencies

The same charge of irresponsibility is valid against other government boards, commissions, and corporations in varying degrees. The members of the Federal Reserve Board cannot be sued, in consequence of their monetary manipulations, for the loss of value of the money which people hold or have owed to them. The Securities and Exchange Commission will not make good losses suffered on the stock market as a result of its action or inaction. The National Labor Relations Board does not pay those workers to whom it awards back pay. The board which controls the Tennessee Valley Authority neither pays for the work it hires to be performed nor does it make good any losses incurred by the Authority.

It should be pointed out, however, that the boards which control government corporations do have some responsibilities. If there are degrees of irresponsibility, the board which directs the Tennessee Valley Authority is not as irresponsible as the Interstate Commerce Commission. The members of the board, or their agents, do undertake to provide services, do meet payrolls, do enter into contracts, and are in some ways accountable for their actions.

Governmental irresponsibility is widespread, and does not necessarily involve violations of the principle of the separation of powers. The enactment and raising of the minimum wage has been irresponsible. By this action, Congress compels employers to pay a certain wage, but it takes no responsibility for this. That is, Congress does not raise the money to meet the payroll. If men lose their jobs because the employers cannot pay these wages, the individual members of Congress do not undertake to provide them with employment by paying them out of pocket. Nor, if the employer goes out of business, can he sue Congress for damages. Equally irresponsible are Congressional rulings regarding hours of labor.

Who Pays for Mistakes?

Something should be said under the heading of government financial responsibility for what its agents do. The United States government and the governments of states do engage in numerous business undertakings such as building roads, maintaining post offices, providing education, setting up corporations, and so forth. Government agencies are not liable for payment of damages in the same way that private corpora-

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tions, partnerships, and individuals are. Governments can be sued, of course, with their permission. The winner of a suit against some government may recover damages. But there the similarity with private suits ends. Congress may appropriate money to pay damages, but the individual members of Congress do not pay for this; at least, they pay no more than any other taxpayer. This is another way of saying that the government is not responsible for injury done to others. It merely passes on the claim to the taxpayers. By contrast, private companies and individuals are responsible for injuries done.

Federal Aid Uncontrolled

Government responsibility is often attenuated, at best, but many of those who have labored to get government involved in more and more things have also worked to remove the last vestiges of responsibility. The public schools afford an example. It is a common saying that politics ought to be kept out of the schools. If those who say this meant that government should get out of the business of education, it would make sense. But that is not their meaning. They favor government support of education but do not wish political intrusion in the management or control of the schools. They would have the populace support the schools but deny the people a voice in the management of the schools. For politics is the means by which popular consent is given and denied in America. Those who want to keep politics out of the schools want government support without government control, whether they know it or not. In short, they propose to make the public schools completely irresponsible.

Long strides have been taken toward making those who teach in schools and colleges responsible to no one. This has been accomplished to considerable extent under the doctrine of academic freedom and the practice of tenure. These two things combined are supposed to leave the teacher free to say and teach what he will (theoretically, though not practically, bounded by a restriction that it be within the area of his competency). He is responsible to no one for what he teaches.

Other Abuses of Privilege

Irresponsibility abounds in America today. Aid to Dependent Children permits men to father children and women to give birth to them without assuming the full responsibilities of rearing them. Various government agencies relieve children of the responsibility for caring for aged or in-

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firm parents. So-called civil rights leaders preach hatred of men, practice trespass, and encourage the destruction of property without being held responsible for what they do. Those dependent upon government for a livelihood are permitted to vote, and thus to vote themselves benefits at someone else's expense. Union leaders press for wage increases which they do not have to pay. Congress votes increase after increase in the Federal debt, with no provision for paying it. It has been years since any reduction of the debt has been made. Policemen are not held responsible for violating the rights of the accused; instead, criminals are turned loose by higher courts when their rights are said to have been violated. Thus, irresponsibility is compounded. Movements are afoot to subvert established political processes by granting to groups power unrestricted by popular consent. Examples of this are civilian review boards and civil rights groups and organizations being given Federal monies to dispense. Irresponsibility is highly organized, vociferous, and rampant in the land.

There is a saying that goes like this: "What you do speaks so loud that I cannot hear what you say." This certainly applies to those who admonish us to be responsible today. We have been busily removing the supports to responsibility while shouting ever more loudly that men should be responsible. Responsibility depends upon a very real nexus between cause and effect, between actions and consequences, between accomplishments and rewards, between what we do and our accountability for it, not upon a spurious indoctrination of a sense of responsibility. "Independent" boards and commissions cannot be made responsible by proclamation, nor labor leaders by acclamation, nor civil rights workers by asseveration, nor teachers by inculcation, nor parents by vocalizing about it.

Penalties Removed

A confusion of terminology hides the truth from us. In a vague sort of way, the admonitions to boards and commissions are to be *circumspect* in what they do, to labor leaders to be *moderate* in their demands, to civil rights advocates to be *gentle* in their actions. It would be as logical to admonish thieves to take only a moderate amount of money or goods, to admonish assaulters to exert gentle persuasions, or to admonish extortionists to be circumspect in their demands – while removing all penalties for criminal behavior. For we have made

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long strides toward separating cause from effect, power from responsibility, and actions from their consequences. We are trying to make the individual's spurious sense of responsibility do the work formerly done by individual conscience, social responsibility, and legal accountability.

The Consequences of the Irresponsible Way of Life

It requires no major gift of prophecy to foresee the outcome of organized irresponsibility. Indeed, some of the consequences are already with us, and it is necessary only to extend them in other cases. Boards and commissions establish inflexibility in the economy, on the one hand, and produce uncertainty on the other, making businesses difficult to operate, resulting in high prices and poor service. Labor unions paralyze industrial centers and are restrained from extending this to the country as a whole only by a dubious sense of responsibility or the threat of force and involuntary servitude. Academicians fill children's minds with notions that have been tested by neither reason nor evidence. Government action produces unemployment by minimum wages and tries to correct this by heavy doses of inflation. Violence and destruction in the cities, particularly in summer, makes life increasingly perilous and property insecure.

Freedom becomes license without responsibility. To put it another way, there can be no freedom without responsibility. No man is free when he can have his life taken by murderers who will not be held responsible by the courts, when his ownership of property is vitiated by the control of those who do not receive the consequences of their actions, when his children may be taught any doctrine without his approval or consent, when the actions of others are restrained only by their inward determination to restrain them. Free men are responsible men, else every man's freedom is potentially a trespass upon every other man's.

Nor can civilization survive the constant strain put upon it by organized irresponsibility. The desire to exercise power without responsibility may not be the oldest sin, but it is one of the earliest according to the Bible. After Cain had slain Abel, he wished to avoid the responsibility for it. The desire is there, but the nation that succors it wills its own destruction. Men lose their integrity and are corrupted by organized irresponsibility. Policemen lose their zeal to apprehend criminals when those whom they catch are turned loose. Businessmen turn to lobby-

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ing, to influence buying, to the quest for special privilege when their survival depends upon it. Men devise subtle ways to live off the labor of others when government becomes the bounty giver. Workers are seduced into slipshod work and malingering when they can use the threat of violence to hold their jobs. Men gather in mobs to hand out rough and uneven justice when the courts no longer serve society. When men become acclimated to irresponsibility, they do so by becoming weak-willed and irresolute. As children, they fall prey to the strong man who will restore order by intemperate but widespread use of force.

The remedy for this distemper is what it has always been. It lies, first, in the recognition that men are responsible for their acts. Second, it can be developed by inculcating a sense of personal responsibility in individuals. Third, society sustains it by rewards and punishments handed out accordingly as one has been responsible or irresponsible. Lastly, men must be held legally accountable for what they do, and must not be permitted to engage in actions for which there can be no accounting. ◈

A Paradox

MANY PERSONS are so reluctant to become involved in other people's affairs that they will stand by and see a fellow man beaten or even killed without intervening. Yet those very same non-Samaritans readily join in great numbers to make other people's decisions for them, meddle in their business, force them to act "for their own good."

JAMES C. PATRICK, Decatur, Illinois

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THE PRICING OF GASOLINE

HAROLD M. FLEMING

GASOLINE PRICES, like the prices of many other commodities, are not easy to understand. Sometimes gasoline price wars seem to spell intense competition. At other times motorists, seeing the same prices to the decimal at nearby stations, may think they are up against conspiracy. Or again they may see across the street a price difference between a familiar and an unfamiliar brand and wonder what it means.

This is understandable. The whys and wherefores of gasoline pricing are of almost infinite variety. And they keep changing. They involve behavior patterns beyond the powers of the most fertile imagination. Despite the difficulty of comprehension, it is beyond doubt that the intense competition in the business has brought about a record of reasonable prices. In 1964 the average price of gasoline, not including taxes, was 7 per cent less than it was ten years before. And the 1964 variety was much improved.

I. The General Price Structure

The United States gasoline business has a going structure of prices. And these prices, as will be explained, relate only partially to manufacturing and handling costs.

To begin with, there are the base wholesale prices of gasoline

Mr. Fleming is a well-known journalist and author, specializing in business and financial analysis.

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in large quantities at refineries in the key regions.

Then there is a second level of wholesale prices: prices at terminals, before the final fan-out. These are sometimes still called tank-car prices, from the original medium of delivery out of these terminals.

The final and perhaps most important wholesale price is the tank-wagon price, from the supplier or jobber to the retail gasoline dealer, on delivery to the service station.

As to the retail price, there are, with few exceptions, no "manufacturer's retail list prices" in gasoline. The supplier's ownership of the gasoline generally ends at the service-station tanks, and the dealer is then free to set his pump at whatever retail price he chooses.

An important exception occurs when, as in New Jersey since the middle 1950's, some suppliers avail themselves of state "fair trade" laws that permit the manufacturer to set a specific retail price as the minimum to be charged for his branded product.

But major-brand suppliers by no means lose interest in the price of their gasoline when they sell it to the service-station man. The supplier's interest is natural. He wants his brands to be competitive. Most suppliers counsel with their dealers about staying competitive; but, in the absence of "fair trade" or other exceptional circumstances, the decision is strictly the dealer's.

Independent chains operate differently for the most part. Their station operators are usually on salary. They don't sell *to* the station operator, but *through* him. They don't suggest the retail price. They set it.

To a small degree, major suppliers are engaged in direct retailing, too. At a station where any supplier is itself the retailer, it, of course, establishes the price.

All the prices mentioned above—wholesale and retail — are so interrelated that they are constantly pulling each other up and down, so what is generally called a price *structure* for the gasoline business might better be called a *fabric* of prices.

Private Brand Differentials: Lesser-known brands of gasoline often sell at a price below that of better-known brands. The differential – a frequent bone of contention – may run to several cents a gallon. It is not necessarily due to a difference in quality; but often it is due to a difference in familiarity to the automobile driver or to a difference between stations in services available. Lesser-known brands range in quality from mediocre to the best. They are sometimes said to be sold "on price" while major brands are said to be

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sold "on reputation." However, the private brander is naturally interested in *building* a reputation. In some instances these lesser-known private brands are actually owned and promoted by major suppliers.

Bulk Sales: There is a category of gasoline sales whose prices hardly fit into the above-mentioned structure or fabric of gasoline prices at all. These are sales to large-scale buyers such as bus lines, truck fleets, highway contractors, cab fleets, the federal government, states, cities, and so on. In the trade, these are generally called "consumer sales," because the buyers consume the gasoline themselves; they do not resell it.

Prices on such sales are often low – sometimes below those to jobbers or dealers. Some of the reasons are obvious. These are quantity sales. Costs are low and credit risks small. No advertising or merchandising is required. And they frequently are once-in-a-while sales. There is sometimes a further reason for them – distress surplus of product. This will be discussed later.

The Living Price Structure: Gasoline prices are even more than a fabric, with flexibility and stretch. The gasoline price "structure" is a living, changing thing, to which thousands of men contribute their thinking. As a result, it is constantly responding to all kinds of changes in such things as business conditions, weather, traffic, and customers' habits and income.

II. Logistic and Other Problems

The daily forwarding of more than 175 million gallons of gasoline from refineries by varied channels to 211,000 service stations, and from there to millions of customers, recalls what lexicographer Dr. Samuel Johnson once said of a woman preaching or of a dog walking on its hind legs: "The wonder is not that it is done well, but that it is done at all." For it is not enough merely to have the supply lines. The gasoline must be dispatched to the right places, at the right time, in the right volume, all the way from the refinery.

For such movement, suppliers must prepare well in advance, clear back to the refinery. In the spring they must start increasing gasoline output for the summer months; but in the late summer they must start cutting back on gasoline to make more heating oils available for the winter.

Suppliers, however, must do more than merely try to have *enough* gasoline for expected demand at the right outlets at the right time. They must also be sure

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of being able to meet any unexpected additional demand. In this respect they are like fresh milk suppliers, or power companies, which must always have spare capacity on hand. Conversely, if they guess wrong and overproduce at any given time, they may find themselves with a troublesome excess of products to get rid of.

All this requires careful advance estimates of a host of diverse influences on the gasoline market. These include general business conditions and consumer buying power; population trends; changes in the public's highway travel preferences; changes in consumption of oil products in competition with other lures for the consumer dollar; and above all, the weather. And these must be worked down into the details within areas, countries, and cities.

Mistakes Are Bound to Occur: Suppliers will use anything from a small market-forecasting department to a computer to figure this all out. But with competitors in all areas, of all sizes, all marketing methods, and all competitive moods, each supplier faces one more large-scale question mark: "How much of a market can we hold, or gain, in the face of constantly changing competitive conditions?"

Now let us sit in with a supplier's marketing manager, and see an unavoidable mistake about to be made. He and his company have just estimated that during the following March, three months away, they will be able to sell 5 per cent more gasoline in his area than during the *previous* March. He is making the arrangements for movement of the proper amount of gasoline to his terminals and stations.

But when March arrives, it rains and it snows. Motorists stay home by the thousands. When the month is over, they have bought 5 per cent *less* of his company's gasoline than in the previous March. And to complicate his problem – since it was cold, customers bought more heating oil than he had anticipated. Thus, he faced the headache of bringing in additional quantities of that product even though his storage facilities were already overburdened with unneeded gasoline.

Weather is the most unforeseeable force that can bring about market miscalculation. And it is a constant hazard to the refiner as well as to the marketer. The refiner may count on a cold winter and find by February that he has made too much heating oil and not enough gasoline. In the spring he may count on a good driving summer and find by August that he has made too much gasoline.

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But other factors can also upset the best-laid plans. An aggressive competitor may take away business. Depressed prices in an adjacent area may drain away gallonage. Or the local crop may fail, or the local mills shut down.

What to Do with the Surplus?: Our unlucky supplier now has excess gasoline on his hands. What shall he do about it?

He has three choices – basically those available to all sellers in the gasoline business when they find themselves with extra gasoline.

He can:

1. store the excess gasoline;
2. dispose of it through regular marketing channels; or
3. find a fast outlet.

Now let us consider his choices. For this is essentially a typical situation. It is a dramatization of the general problems involved in gasoline pricing.

The Costs of Storage: Let us now suppose that our marketing manager with excess gasoline on hand decides to hold it in storage until he can gradually work it off.

It isn't a very satisfactory choice.

To begin with, gasoline storage is expensive in relation to gasoline's price, which essentially can be kept low only by a timely flow to market. Stoppage in the movement of gasoline immediately begins to cost. For storage costs money.

But far more serious than the storage cost is the back-up effect. New product cannot be delivered to terminals until there is room for it. If storage space is short, refinery output may have to be cut back. The effect can be felt clear back to the oil field. If the refiner is part of a crude-oil-producing company, then the company's crude-oil output may have to be cut. If the refiner gets his crude from outside his own company, he may run the risk of losing some of his regular crude-oil sources.

So the flow of gasoline may be compared to a river. If too much comes down the river, then the excess must be drained off into reservoirs or it will break the levee somewhere.

If, for instance, the refinery has already scheduled full runs for April, and now its outlet in our marketing manager's area is reduced by the carry-over stored from March, it may be decided to run full anyway. But where to sell the extra? It will probably go either into the "spot market," as "distress gasoline," or be sold to another refiner who has a market for the product. The pressure is now off our marketing manager – but not off his company. No doubt

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the extra gasoline will show up somewhere in the business, and result in a downward pressure on prices. But it probably won't show up in his area.

Thus, time is forever pressuring the supplier. Not only is gasoline costly to store, but the equipment to produce and move it is expensive to keep idle. In some supply-demand situations he may have to throw original cost estimates to the wind and consider primarily the cost of *not* selling promptly.

Disposing of Gasoline through Regular Channels: Now let us suppose our marketer elects to take the second way out of his gasoline surplus – that is, to dispose of it through regular trade channels.

Apart from marketing gimmicks – special promotions, flying flags, prizes, and giveaways – there is only one way to do this, and that is to cut the price.

Unhappily, however, one of the most notable things about gasoline is that demand is relatively constant.

The gasoline market is not like the market for television sets, stereo recordings, fresh strawberries, or trips to Europe, where a 50 per cent price cut can bring in large numbers of new, additional customers – or induce existing customers to increase their buying substantially.

This is not to say that motorists don't read price signs. Some are highly price-conscious, look for cut-rate stations, and will converge on depressed price areas.

But in doing this, they do not increase their total purchases. They merely switch them from one station, or area, to another. They do not appreciably drive any farther, nor burn any more gasoline. Even the most drastic price wars do not increase *total* mileage in the affected areas.

This is called short-term "inelastic demand" – demand that does not stretch and expand with lower prices.

It is quite different with gasoline's long-term demand, over years and decades. If the product weren't so reasonably priced and conveniently available, people wouldn't take so many trips nor even buy so many cars – as the European experience with extremely high-taxed, and so extremely high-priced gasoline has shown.

But it is a fact, unhappily, that a marketer's customers won't immediately increase their driving even when the price of gasoline is cut sharply. So if the marketer cuts his price, the only added sales he can make are sales to his competitors' customers.

And his competitors know this as well as he.

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They can match his price – and more than likely will do so if they suspect that his lowered tank-wagon price is merely an effort to shrug off an overload of gasoline at their expense. In fact, some of them may have made the same miscalculation of demand and have the same surplus problem.

So by trying the price route out of his current inventory trouble, our marketer may, in effect, do a Samson and pull down the whole area price structure around his own ears.

Finding a Fast Outlet: For our manager and his company, there is a third and final choice of how to dispose of the excess gasoline caused by weather. It is to find an outside, nonregular market and there to sell the gasoline for whatever it will bring.

The most notable of such outlets is sale on the open market – to brokers, "independent marketers," or other large buyers. Often such sales are in hundreds of thousands of gallons and sometimes they are made on sealed bids.

To turn to such a third selling choice, our supplier must take a deep breath and remind himself of the disadvantages of the two other courses.

As was mentioned earlier, such sales are often at low prices. But they are somewhat offset by comparatively low costs (due to quantity, credit, and other economies).

Sales under distress conditions are usually at prices lower than normal bulk sale prices. The basic reasons for such often-profitless sales have been implied above. The supplier presumably has more gasoline on his hands than he wants to try pushing into regular channels, or storing. He has been "caught long." And as a result he is, in his own interest and after careful calculation, acting to avoid what might possibly be a very great loss under one of the other two alternatives.

III. Loss Today; Profit (?) Tomorrow

In some circumstances, for good and sufficient though temporary reasons, a refiner may be willing to produce and sell gasoline at prices well below the most optimistic estimate of last-barrel cost.

The start of this dismal story may be when he finds he must lower his price to a certain level in order to hold his own against competition, and his accountants tell him that, at that price, "no matter *how* we figure it," there will be a loss on every barrel of output.

His natural first thought would be to curtail production or even to shut down.

But neither will save him much money. His fixed costs will keep on.

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So it may be more economical to keep running and lose only a *little* money every day, rather than to slow down or shut down and lose *even more* money every day.

Besides, our refiner wouldn't want to add to his other troubles the substantial costs of refinery shut-down and start-up, nor the disruptions of laying off labor, dropping crude-oil "connections" (sources of crude oil), and cutting off regular jobbers and dealers.

So he keeps refining, selling for whatever he can get, and hoping that the market may soon recover.

A marketer can find himself in a situation analogous to that of our refiner. He can find himself in a depressed market that he feels is only temporarily so. Assuming things will get better and knowing that he may lose his established marketing position if he closes up, he keeps operating in the area even though it may mean months without profit.

There is at least one other circumstance in which a gasoline refiner or marketer may for a time sell at a profitless price or even, where it is legal, at a price below the lowest possible estimate of his particular costs.

The circumstance might occur when he tries to break into a new market that to him looks lucrative for the future. As a new entrant in the market his costs are probably high for he lacks the local facilities necessary for efficient operation; yet he sets his price low to attract customers. He may figure that he will have to forego profits for a time, in the hope of getting established and making money later. Some economists would regard such losses as an investment.

"Predatory" Pricing: One form of taking business losses for future profit is only a historical memory: selling below cost in a particular area in the specific hope of ruining a weak or small competitor and then taking over his business and his customers. This, called a "predatory practice," was fairly common in the old days when the oil business was young and uncrowded. It is illegal now, but even if it were not, there would be very little chance in the gasoline business of so calling one's competitive shots today. In any market there are too many eager competitors, major and minor, branded and unbranded — all ready to fight to preserve their own positions, and ready, too, to move into any market vacuum created by the demise of one in their ranks. Today, anybody in the gasoline business foolhardy enough to wage a predatory campaign would find its successful completion no simple matter.

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In this age of gasoline marketing, a firm's moving into a new area does not forebode less competition. It means more of it.

The Profit Is the Pay-off: Whether sellers taking a loss on a sale do so to avoid a greater loss, or to gain a future profit, it is a sometimes forgotten truism that profit is inevitably the ultimate motive.

While in the short run price must both meet competition and move the goods, in the long run it must more than cover costs. It is a certainty that no one can afford to handle gasoline in any branch of the business at a loss, knowingly *and continuously.*

In sound, profit-seeking business practice, every type of sale and every offering price must justify itself either by contributing to a profit, immediate or eventual, or by minimizing a loss.

IV. Some Premises of Gasoline Pricing

The value of a bulky commodity like gasoline varies "all over the place." Gasoline of the same specifications may be worth so much today, more tomorrow, and less the next day; so much here, and more there, or vice versa. Gasoline is not like diamonds or gold, the value of which varies little from San Francisco to London or from this year to next year. Its value is more like the value of such bulky staples as firewood, which may cost $20 a cord in New England near the woods, and 50 cents a stick in New York City. Perhaps the best analogy is with water – worth less than nothing in flood, but worth a great deal in the desert.

The Flexibility of Gasoline Prices: Due to the almost infinite variety of circumstances in which gasoline finds itself from market to market and from time to time, it is hard to figure any fixed formulas for pricing it.

Yet there is always the imperative profit-seeking command that prices must be arrived at that will move the goods most economically to wherever they are most wanted at the moment.

Gasoline prices are never in equilibrium with all the supply-and-demand forces that affect them. They are chronically in need of adjustment. Pricing decisions must be made without delay. These decisions may be wrong half the time. (If they are wrong too often the maker leaves the scene.) But they have to be made by those closest to the circumstances. To learn *everything* about the hows and whys of gasoline pricing at any particular moment, you would have to talk with about everybody in the business.

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The Art of Guessing Right Prices: The quoting or bidding of gasoline prices cannot be a science. It has to be a day-to-day art – a matter of trial-and-error dependent basically on judgment. The factors that go into the pricing of gasoline will always be hard to figure. Prices are always experimental.

On the supply side, the seller must figure on costs that are arguable to start with and that may vary inversely with a volume that is unpredictable. And on the demand side, he faces changing weather, business conditions, and *competition.* Overall estimates of national consumption can tell him lamentably little about the next few months in City X, County Y, or State Z.

The gasoline marketer has no slide rule to tell him how far, in a good market, he can afford to expand; nor how far, in a poor market, he can figure to keep selling at a loss to avoid a greater loss.

This is what has given the business, through its price system, its remarkable flexibility, pliability, challenge, and life. ◈

Borrower

SPEAKING of his early experiences as a borrower, John D. Rockefeller once said: "In the early days there was often much discussion as to what should be paid for the use of money. Many people protested that the rate of 10 per cent was outrageous, and none but a wicked man would exact such a charge. I was accustomed to argue that money was worth what it would bring – no one would pay 10 per cent, or 5 per cent, or 3 per cent, unless the borrower believed that at this rate it was profitable to employ it. As I was always the borrower at that time I certainly did not argue for paying more than was necessary."

Wasn't old John D. about right?

The best and quickest cure for high prices is high prices, and by the same token, the best cure for low prices is low prices.

If there is a shortage of anything, the quickest way to get more of it produced is to let the producers take a good profit. This will encourage competition and the price will soon fall, along with the margin of profit.

From *The William Feather Magazine,* November, 1965

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Governmental Grievance Procedures

WHEN Bertrand Russell was a younger and more philosophical philosopher than he has since become, he asked a Chinese peasant woman why she was so careful to avoid state officials. The woman's answer was that "government is more terrible than tigers."

We still can't believe that government might become tigerish in America, where the Madisonian tradition of checks and balances lives on. And so, while governmental behemoths take on more and more responsibilities for the young, the sick, the aged, the slum dwellers, the farmers, the unemployed, the inhabitants of depressed areas, et cetera, et cetera, men hopefully rack their brains in the effort to make all the new interferences bearable by adapting the check-and-balance system to new situations. The idea of "review boards" spreads; a Nassau County executive on Long Island in New York State (Eugene Nickerson) appoints an Ombudsman (the word is Swedish) to investigate citizens' complaints against public officials; and committees of Congress keep up a steady running fire of investigations. And still the criticism swells; government, if not more terrible than tigers, seems to provoke an adversary for every advocate.

To document the situation, Professor Walter Gellhorn of the Columbia Law School has written a small book called *When Americans Complain: Governmental Grievance Procedures* (Harvard, $3.95). My trouble with reading the book is that I kept bristling all through its 232 pages at the author's assumption that the march of government to a million-and-one social service goals cannot be halted.

"Organized power," says Gellhorn, "makes the wheels of life go round, makes modernity feasible. Restraint and coercion can destroy citizens' freedoms, but can

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also enlarge them — as they do when government acts affirmatively to protect physical well-being, to maintain social services that diminish life's pains and pressures, to ensure against the devastations of unemployment, illness, and old age, to provide educational facilities and cultural amenities."

The entirely valid complaint that, when a government tries to become "affirmative" about practically everything, it must end by provoking a universal destruction of values (with the currency being one of the important things to go), is not the sort of grievance that Professor Gellhorn has in mind. He assumes that we must have an ever-increasing tribe of public servants, and that voluntary organizations aren't capable of supplying enough hospitals, or art centers, or medical insurance, to take care of our needs. But it is probably churlish to mention the matter of Professor Gellhorn's basic political philosophy, for it amounts to criticizing him for not having written an entirely different book.

For the Sake of Argument

Granting for the sake of argument the assumption that "modernity" is only "feasible" with a vast multiplication of government-directed energy, Professor Gellhorn makes out a good case for developing "external" critics of public administration. When citizens complain, the complaints all too often wind up on the desks of those who are being complained against. Legislatures try to define the exact scope of administrative agencies, but it is impossible to detail in advance the application of law. Moreover, by following the absolute letter of the law, an obnoxious public servant can sometimes defeat the intention of it. Complaints can get lost in a run-around, and appeals outside the system to the courts can take forever and cost entirely too much.

Since it is impossible to get administrators to give adequate satisfaction in meeting criticisms of malfeasance and misfeasance in their own agencies, the American people have tended to treat their legislative representatives as their defenders against bureaucratic wrong-doing. Professor Gellhorn says that it is a good guess that well over 200,000 complaints about administration reach Congressional offices in the course of a year. Since congressmen are convinced that the way to win elections is to handle grievances themselves, they and their staffs get involved in never-ending casework. Very often the complaining citizen establishes his point. But

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tiny victories rarely lead to generic improvement over a broad front. The patterns of administrative policies or behavior do not change. Constituents' cases are disposed of episodically in individual congressmen's offices and, since neither the Congress as a whole nor its standing committees are aware of what has happened, nothing is done to keep it from happening all over again with different principals being involved.

A "Citizen's Protector"

Professor Gellhorn is enamoured of the Scandinavian concept of the Ombudsman. In Sweden, Norway, Denmark, Finland, and New Zealand, the idea of a "citizen's protector" has taken firm root. It is even being tried in Japan and in the Soviet Union. But no single "citizen's protector" could possibly take 200,000 cases off the hands of 536 congressmen.

Admitting the difficulties which derive from the size and complexity of the United States, Professor Gellhorn sees great merit in the national adaptation of the ombudsman system that has been proposed by Representative Henry S. Reuss of Wisconsin. What Reuss suggests is that an "Administrative Counsel of the Congress" be appointed by the Speaker of the House and the President pro tempore of the Senate to review citizens' complaint cases. The Administrative Counsel would undertake reviews only when members of Congress requested them. And the outcome of each case would be reported to the constituent by the congressman himself. Thus Senators and Representatives would continue to get credit for casework. But the workload on Congressional offices would be reduced, and there would be a better overall focus on defects in statutes or administrative methods that generated the complaints in the first place.

Police Review Board

In U. S. county and municipal areas the idea of single ombudsmen, or citizens' protectors, might be counted on to succeed. But an ombudsman must be impartial as between complainants and city or county officials. When New York City made a partial gesture towards accepting the ombudsman idea by setting up a civilian police review board, the police felt they were being singled out among public servants for discrimination. Gossip soon had it that they were dragging their heels. The taxi drivers began saying that police in Harlem or in the Bedford-Stuyvesant section of Brooklyn tended to look the other way when help was needed to deal with un-

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ruly cab fares. The police, so the taximen insisted, wanted to stay out of trouble lest the citizens' review board might second-guess them.

Professor Gellhorn steps rather gingerly around the subject of the citizens' review board as it is limited to the performance of single bureaus. But it would seem obvious that if New York City had had an Ombudsman to listen to any and all complaints about any office or department from that of the Mayor on down, the police would have accepted surveillance from him without murmur. And the taxicab drivers might have gone to the Ombudsman instead of cynically talking to themselves.

Professor Gellhorn's prose suffers from the constant staccato interruption of innumerable and frequently turgid footnotes. Of course, the reader is free to skip them, but some of them are essential to the unfolding of the argument. The book would have been a better artistic unit if the necessary material had been incorporated into the text and the rest segregated in an appendix. ◈

The Greatest Evil

I like bats much better than bureaucrats. I live in the Managerial Age, in a world of "Admin." The greatest evil is not now done in those sordid "dens of crime" that Dickens loved to paint. It is not done even in concentration camps and labour camps. In those we see its final result. But it is conceived and ordered (moved, seconded, carried, and minuted) in clean, carpeted, warmed, and well-lighted offices, by quiet men with white collars and cut fingernails and smooth-shaven cheeks who do not need to raise their voice. Hence, naturally enough, my symbol for Hell is something like the bureaucracy of a police state or the offices of a thoroughly nasty business concern.

C. S. LEWIS, *The Screwtape Letters*

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OTHER BOOKS

▸ CAPITALISM: THE UNKNOWN IDEAL by Ayn Rand with Alan Greenspan, economist; Nathaniel Branden, psychologist; and Robert Hessen, economic historian. (New York; New American Library, 1966, 309 pp., $6.50)

Reviewed by Elizabeth Gillett

IN HER NOVELS as well as in two recent nonfiction books, Miss Rand has slashed through many cherished clichés with radical new ideas. Here, she and her fellow authors focus on the phenomenon that besets both antagonists and supporters of capitalism, including businessmen: the fact that almost no one understands it. This book devastates the anticapitalists and forcefully expands the arsenal of pro-free-enterprisers by consistent, sophisticated deployment of novel idea weapons – especially the concept of *laissez-faire*.

Many of capitalism's professed defenders have partly or fully swallowed the smear spread by its avowed enemies: that capitalism absolutely requires governmental regulation to assure any measure of justice to all concerned–and the more controls the better.

Miss Rand and company show what a perversion of basic facts this widely held estimate is. They argue further that *only laissez-faire* capitalism, with state and economics *totally* separated, can naturally assure the greatest possible justice by providing an objective standard in a free market, determined by the voluntary choices of participants from among goods and services produced for profit to meet people's needs and desires. Force and fraud do get punished – when they occur; they are not paranoically anticipated by imposed regulations.

The book covers many crucial economic and governmental institutions, myths, and labels. Among these, in that order, are: antitrust laws, regulatory agencies, foreign aid, patents and copyrights, and the gold standard; the alleged inevitability of monopolies and depressions and the presumed accomplishments of labor unions and public schools; "self-determination," "extremism," "consensus," and "conservatism."

Especially memorable, besides "The Nature of Government" and "The Roots of War," both of which appeared in THE FREEMAN, is Miss Rand's "Notes on the History of American Free Enterprise." In it she argues that the villains of transcontinental railroads were power-hungry legislators and their greedy parasites, *not* independent

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entrepreneurs. The old leftist bromide about how cruelly women and children were exploited under early capitalism is exploded in an essay by Robert Hessen.

The two final essays make an impressive climax. Miss Rand's "The Cashing In: The Student Rebellion" identifies the Berkeley riots, point by point, as a cultural abscess fed by several fallacious trends calculated to distort or discredit free enterprise. Nathaniel Branden's piece on "Alienation" brilliantly traces the psychological premises that must operate in a collectivist's mind.

At the core of the book's theme rest the Objectivist views of man and morality. Among their revolutionary aspects are: reason as an absolute, an objective standard of value, and the rejection of altruism for rational self-interest.

The book also offers a precise index of topics, individuals, and publications, and a "Recommended Bibliography" of many works that contain relevant material.

Readers may or may not agree with all the book's basic premises. Yet anyone who believes he favors capitalism owes himself the experience of becoming acquainted with the unique arguments presented in *Capitalism: The Unknown Ideal*. Whether or not he accepts them all, he will come away better armed than ever before.

▶ THE CHRISTIAN ALTERNATIVE TO SOCIALISM by Irving E. Howard, (Arlington, Virginia: Better Books, 1966. 153 pp., $2.50)

Reviewed by Norman S. Ream

THERE ARE TWO separate but related arguments supporting a free enterprise, limited government economic system. One is the pragmatic argument; the other the moral argument. Both arrive at the same conclusion. Considering the ends which the majority of men have considered most worthy, capitalism is always in the long run more effective than socialism.

The present volume by the well-qualified assistant editor of *Christian Economics* presents the moral argument from a strictly Christian point of view. "It is not by accident that communism assumes an atheistic view of the universe and a materialistic view of man. It is no accident that the American system grew out of a strong faith in God and a spiritual view of the nature of man."

Christianity insists on certain basic moral principles. Each individual is of supreme worth. Every normal man has and ought to have freedom of the will. Every man has a responsibility to help his less fortunate neighbor. The use of force and violence by one man

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against another is immoral. Stealing is wrong.

Irving Howard documents the socialist's denial of each of these moral principles. In reality, the socialist scorns the common man and talks only about "lower classes." He denies that man, using his free will, can make wise decisions, and therefore the socialist planners must make decisions for him. If men will not do voluntarily what the planners think wise, then they must be forced to do so even though this means the plunder of private property in the form of taxes and the coerced redistribution of wealth. Socialism thus becomes the complete antithesis of Christianity.

The author defends the idea of "Christian economics" by insisting that what one believes determines how he acts, and only the fundamental principles of Christianity can give an adequate moral foundation to capitalism, while they invalidate the fundamental principles of socialism. Such factors as land, labor, money, and government are all discussed from this basic point of view.

Running through the whole book is a strong passion for freedom coupled with a strongly orthodox religious philosophy. "Freedom is not primarily a political concern, it is a religious one. Freedom is a quality of life that has its roots in the worship of God, a worship which produces a man with a high sense of moral responsibility, who does not need external restraints and who will, therefore, make a society in which external restraints are reduced to a minimum and freedom enlarged to a maximum." ◈

▸ OUR WESTERN HERITAGE and THE SCRIPTURAL STANDARD IN ECONOMICS AND GOVERNMENT. Both by Edward P. Coleson, Ph.D. (Privately printed and available from the author, Spring Arbor College, Spring Arbor, Michigan, 49283. $1.25 each, postpaid)

Reviewed by George Charles Roche III

AS A COLLEGE TEACHER of history and philosophy, this reviewer repeatedly found himself confronted with a problem which many teachers of "Western Civilization" courses have faced: most of the introductory texts and readings available for undergraduate survey courses in the heritage of Western Man fail to present a complete and meaningful picture of their subject. The Judeo-Christian roots of our past, founded upon faith in God, belief in an objective standard of right and wrong, and an affirmation of the dignity of the individual, often are submerged in a

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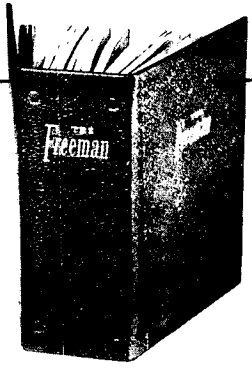
sea of "modern" cultural relativism, behaviorism, moral subjectivism, and the rest of the ideology which dominates the textbooks of our superscientistic age.

Professor Coleson's books are encouragingly different. Clearly and simply written, well-documented, and containing a helpful list of suggested readings, these paperback volumes offer, within the compass of approximately 200 pages each, a straightforward and sound introduction to many aspects of the religious, historic, and moral heritage of Western Man. Throughout, the author relates that heritage to the problems we face today and lays a foundation for the reader to do some fundamental thinking of his own in contemporary economic, political, and ethical questions.

Either or both books would make a genuine addition to many courses in introductory "social science" on the college level. They would be especially valuable as supplementary readings for courses already established, but would also make good reading for anyone interested in the restoration of the values of Western Civilization. ◈



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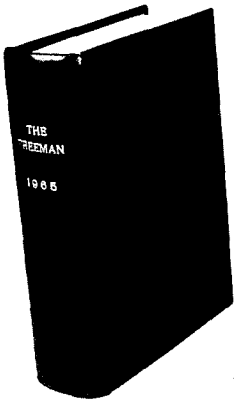

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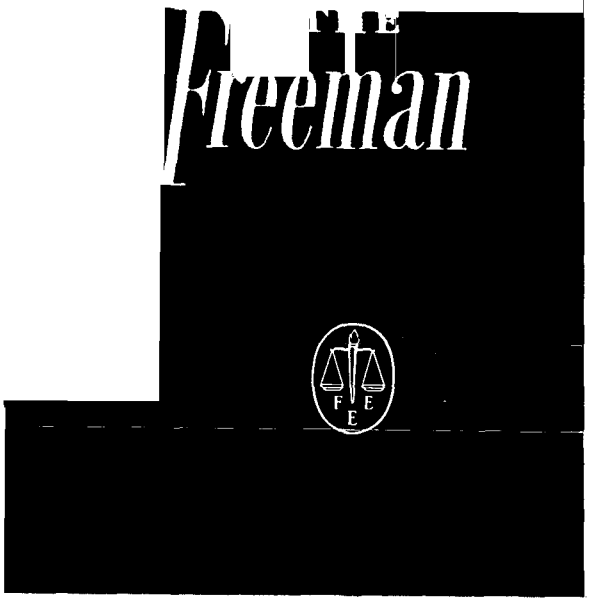

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JAMES MADISON, in the debates during the Constitutional Convention

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